



Comprehensive Annual Financial Report

Year Ended September 30, 2014
City of Victoria, Texas

CITY OF VICTORIA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended September 30, 2014

Prepared by the Finance Department
City of Victoria, Texas

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CITY OF VICTORIA

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

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March 19, 2015

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, 2014, 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.

2014 Economic Condition and Outlook

Texas:

The Federal Reserve Bank of Dallas reports, as of June 2014, that the Texas economy has grown at a faster pace, according to recent data. Job growth picked up in April, and unemployment fell to a new five-year low. Housing permits, new and existing home sales rose in April. Thus far, in the second quarter, Texas Business Outlook Survey results are improved over first quarter averages, suggesting that manufacturing and service activity is picking up. Wage pressures continue as labor shortages persist, even for unskilled labor. However, employment growth for the full year is projected to outpace 2013.

Texas employment grew at a 5.7 percent annualized rate in April, up from 2.7 percent in the first quarter. The quarterly data point to robust employment growth similar to what was experienced in late 2012. The energy industry continued to lead growth, followed by professional and business services and construction. More than 40 percent of the 52,700 jobs gained in Texas in April were created in the Dallas-Fort Worth metropolitan area.

Texas' unemployment rate fell further in June, to 5.1 percent, the lowest level since September 2008 (*Victoria's unemployment rate for May was 4.1 percent*). The U.S. unemployment rate also declined in June, to 6.1 percent, and held steady in May.

Construction activity showed signs of accelerating as single-family and multifamily permits picked up in April. Existing home sales grew at a non-annualized rate of 2.1 percent, as of June. The inventory of unsold existing homes relative to sales in Texas remained unchanged in April at 3.6 months (*Victoria stood at 3.0*), which is more than two months below the six-month level considered normal.

Texas drilling and oilfield services activity remains solid. The rig count fell to 888 during the second week of June but remained elevated at a level not seen since August 2012. West Texas Intermediate oil prices average \$105.97 per barrel during the second week of June. Natural gas prices have fallen significantly from the peak in mid-February but remain above June 2013 levels.

Texas exports rose 4.3 percent month over month in April after falling 0.8 percent in March. Exports have grown 0.9 percent year to date. The global trade deceleration that may have been responsible for a slowing in Texas exports is expected to be temporary. The International Monetary Fund World Economic Outlook projects a strengthening in global growth to 3.6 percent for calendar year 2014. Exports to Mexico, Texas' largest trading partner, expanded 1.5 percent in the first quarter as Mexico's economic growth fell short of expectations. Mexico's government cut its 2014 growth forecast after first quarter growth trailed analysts' estimates. Even though the first quarter growth was a disappointment, it was twice the 2013 fourth quarter rate.

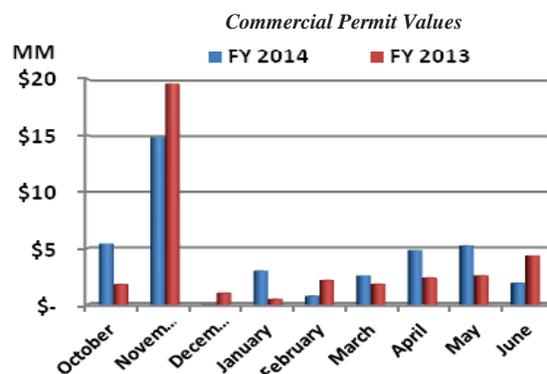
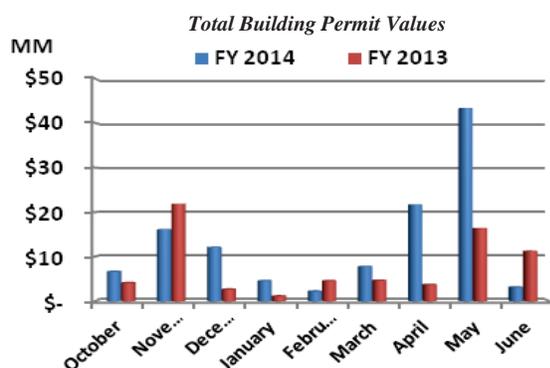
Victoria:

Just like Texas, Victoria's economy is strong and continues to surge in business investments. For example, Caterpillar completed its \$18.4 million expansion, with possible future expansion, and anticipates having approximately 800 employees by 2016. Ken Garner Manufacturing (*KGM*), supplier to Caterpillar, 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. The John Stockbauer Corridor is experiencing major commercial and industrial development activities, such as Klean Corp., UniFirst, K and T Construction Company, Synergy Office and Retail Center, and Apartments (*Oak Forest, The Colony, Latigo Crossing*). Victoria Lone Tree Road area is also experiencing various development expansions such as Hlavinka Equipment Company, FedEx Distribution Facility, and Victoria College Emerging Technology Complex, which will be used to train new Caterpillar employees, provide training for petro-chemical, manufacturing and oil and gas industries, and other continuing education classes.

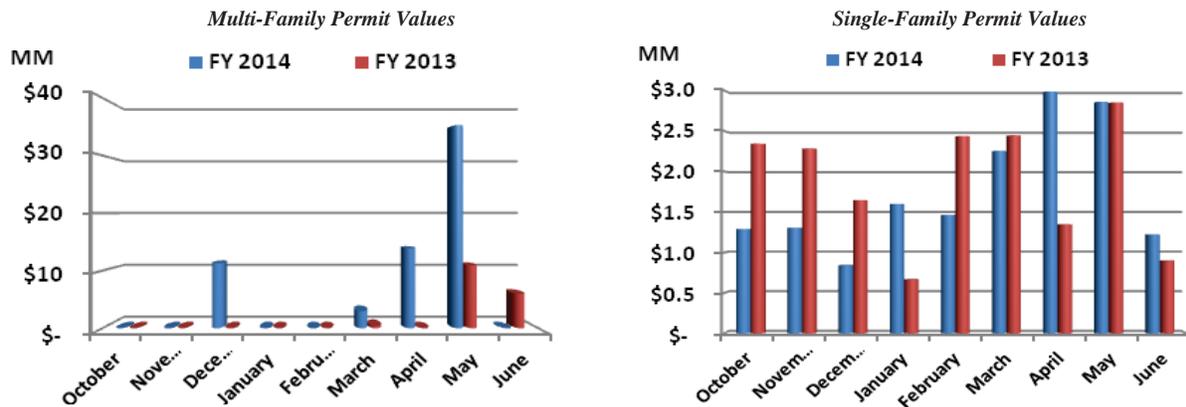
In addition, we have in our area the Eagle Ford Shale project, which is expected to continue over the next several years; and, energize the industrial and oil/gas sectors such as Synergy, Magic Industries, Nueces Power Equipment, Southern Flow Company, Jet Maintenance, Stallion Victoria, Baker Hughes, 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, and single-family units*) increased by 67.3% or \$47.3 million, comparing June 2014 to June 2013. As of June 2014, total commercial permit value is \$38.4 million, an increase of 6.5% or \$2.3 million from last year's values.



As of June 2014, Victoria's multi-family permit value is \$63.5 million, an increase of 265.6% or \$46.1 million from last year's values; and, single-family permit value is \$15.8 million, a decrease of 6.5% or \$1.1 million from last year's values.



Victoria continues to receive residential construction plats, including the expansion of Terra Vista and Tuscany Subdivisions, The Ranches at Terra Vista Subdivision, Fox Creek Subdivision, Lake Forest Subdivision, Capstone Estate Phase III Subdivision, Salem Crossing Subdivision, and Windcrest Phase VI Subdivision. Residential construction plats have also been received for Sendera Estates Subdivision, and The Escalera Ranch Subdivision located in Victoria's extra-territorial jurisdiction (ETJ).

In addition to the single-family housing market growth, Victoria continues to see an increase in multi-family housing. Some of the new multi-family housing consists of The Reserve Apartments (96 multi-family units), The Colony Apartments (180 multi-family units), The Latigo Crossing Apartments (180 multi-family units), The Ascension Apartments (242 multi-family units), The Oak Forest Apartments (264 multi-family units), The Duke Apartments (252 multi-family units), and The Vista Alta Apartments (48 multi-family units). Along with this housing market expansion, growth continues to occur in the general commercial and retail sectors.

Wal-Mart completed its second Super Center, located on Houston Highway, and HEB Grocery completed a \$4 million renovation at its Navarro Street location. The Victoria Mall is planning another major interior and exterior renovation to its buildings, and has added new retail stores such as Charlotte Russe and Spencer's Gifts. The hospitality industry continues to grow as well. Hotel Victoria opened in April 2014, the Comfort Inn & Suites opened in May 2014, and the Marriott Courtyards opened in September 2014. La Quinta submitted construction plans and is planning to open sometime early 2015.

Major Initiatives

For Fiscal Year 2014 and Into the Future:

A lot has been accomplished and fiscal year 2014 budgetary priorities were met. For example, the proposed pay programs were implemented and employment turnover rate remains on a decline; the new street striping program was awarded; City's parks and right-of-way property appearances are in great shape. Riverside Park Brush Clearing Program (*i.e. Goat Program*) was implemented and is showing great results; the drainage-mowing program was been implemented; and the Victoria County Airport Study was completed and presented to Council. A new software system is being implemented to service the City Secretary, Development Services, and Utility Billing Office operations. The City was successful in negotiating a pool partnership agreement with Victoria YMCA (*the City and YMCA are collaborating to construct a new pool facility with a deck, slides, spray pad area, water features, ADA lift equipment, bathrooms, shaded structures, fences, furniture, office and concession space, pool dome, and landscaping*). The City had a successful \$21.5 million Utility Revenue Bond sale, which will be used to fund the new Wastewater Treatment Plant; the construction of the new Public Works Facility was completed and opened in early 2015. Budgetary changes to the City's Health and Dental Plans are starting to have a positive impact in mitigating medical claims/cost; and, "capping" of 463 acres of the City landfill are moving forward as planned.

The above 2014 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 2015 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 3% 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 2015 budget while at the same time reducing the City’s tax rate from 59.96¢ to 58.40¢. Since fiscal year 2004, the City’s tax rate has been reduced by 11.6¢.

Personnel

One of the biggest 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. The budget includes funding for a three percent average merit pay program for all employees, excluding “non-supervisory” certified police officers and firefighter personnel. “Non-supervisory” certified police officers and firefighter personnel will receive an average three percent step pay program. The estimated total cost of the pay programs is \$1,034,703.

The total budgeted positions for fiscal year 2015 is 618, a net increase of five full-time positions compared to fiscal year 2014 adopted budget. Two non-certified police positions were eliminated, due to retirement; three street light equipment operators were eliminated, due to out-sourcing the street sweeping program; and, due to Parks Department reorganization, one park manager was added, three park maintenance workers were eliminated, and one recreational specialist manager was added (*position was moved from the Community Center Fund*). Lastly, in order to staff new Fire Station No. 6, six paramedic specialists, and six firefighters have been added to this budget.

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 2015 is 17.55%, compared to 2014 rate 17.82%. 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 provides additional medical plans for employees to choose from, with various medical cost allocations between employee and City. Certain plans provide an incentive to employee/family in managing their health; other plans 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.

Depending on the health plan design selected by the employees/retiree (*under 65*), health insurance premium cost to the participant will vary from \$97.97/month to \$740.00/month (*see Health Fund Highlights/Assumptions Section for more detail*). For fiscal year 2015, management proposed no premium increase for health and dental plan(s). The City’s total fiscal year 2015 health/dental plan contribution is \$3,490,050, a decrease of 5.84% or \$216,479 from last year’s budget.

Retirees (*over 65*) were placed in a Retiree Exchange System and a Health Reimbursement Account for eligible retirees was established in fiscal year 2014. This change in retiree (*over 65*) health plan design gives 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.

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.

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 2015 budget is proactive in supporting the City's Capital Improvement Program (CIP). The fiscal year 2015 budget includes \$45,320,175 of capital improvement projects, of which \$14,141,969 is budgeted in the General Governmental Capital Project Fund and \$31,178,206 is budgeted in the Utility Capital Project Fund. In addition to the Capital Project Fund CIP budget, the General Fund and Water/Wastewater Fund include funding for the 2015 CIP of \$1,990,000 and \$1,200,000, respectively.

If the CIP for both General Fund and Water/Wastewater Fund were included, the total Fiscal Year 2015 Capital Improvement Program would total \$48,510,175, consisting of \$20,182,086 in "new" capital improvement projects and \$28,328,089 of on-going capital improvement projects. *Note: the total CIP from fiscal year 2015 thru 2019 is estimated at \$151.3 million.*

Fiscal Year 2015 Capital Improvement Program is as follows.

<i>Type of Fund</i>	<i>FY 2015 Original Budget</i>	<i>FY 2014 Original Budget</i>	<i>Increase / (Decrease)</i>	<i>% Change</i>
<i>Capital Project Funds</i>				
<i>Governmental Capital Project Fund</i>	\$14,141,969	\$ 9,485,576	\$ 4,656,393	46.09%
<i>Utility Capital Project Fund</i>	31,178,206	26,052,921	5,125,285	19.67%
<i>Total Capital Project Funds</i>	\$45,320,175	\$35,538,497	\$ 9,781,678	27.52%
<i>General Fund</i>	1,990,000	-	1,990,000	100.00%
<i>Water/Wastewater Fund</i>	1,200,000	-	1,200,000	100.00%
<i>Total Capital Improvements Program</i>	\$48,510,175	\$35,538,497	\$12,971,678	36.50%

Street and Drainage Maintenance Programs

Aging street infrastructure is a nationwide problem and one of the biggest challenges facing many cities and counties throughout the nation. Victoria's streets are no different from the streets in most US cities. Many are in poor condition and need to be rebuilt while others are in good condition, but if not maintained properly will continue to deteriorate to the point they must also be rebuilt. In order to dramatically improve the conditions of our residential streets over the next decade, the following \$4.13 million street programs have been incorporated into the fiscal year 2015 General Fund, an increase of \$1.83 million from last year's budget:

- a. *Street Construction Program* – the fiscal year 2015 General Fund includes approximately \$1.84 million for the reconstruction of Anthony/Hanselman Street Project (*from Lone Tree Road to Hwy 59*) and North Heights Subdivision Phase I Street Project. In addition, the City is proposing to issue approximately \$6 million in Certificates of Obligation Bonds to address various residential street projects, which are included in the City's Fiscal Year 2015 Capital Improvement Program. The Street Construction Program will address residential streets in subdivisions whose average street rating are less than 85 and do not required extensive utility replacement.
- b. *Preventive Street Maintenance Program (New)* – Currently, the City has a backlog of residential streets requiring regular maintenance. The fiscal year 2015 General Fund includes approximately \$1.99 million for a new Preventive Street Maintenance Program (*PSMP*). The PSMP will address and maintain residential streets in subdivisions whose average street rating is 85 or higher. The PSMP is a planned strategy of cost effective treatments to an existing good-condition roadway system that preserves the system, retards future deterioration, maintains or improves the functional condition of the system, and extends the service life of structurally sound pavement.
- c. *Street Material and Supply Program* – the fiscal year 2015 General Fund includes \$300,000 for various street maintenance tasks which would include repairing potholes, repairing base failures, repairing utility cuts in streets, performing level-up on pavement depressions, ruts and settlements, and repairing concrete sidewalks and curbs.
- d. *Street Sweeping Program (New)* – the fiscal year 2015 General Fund includes funding to outsource the Street Sweeping Program, at an estimated annual cost of \$320,000; eliminating three light equipment operators (*annual cost of \$112K*) and the need to replace three sweepers (*\$225K/sweeper*). The new Street Sweeping Program would sweep State Highways once per month, thoroughfares every two months and residential streets on a four-month schedule. Regular street sweeping is one of the most cost-effective Best Management Practices used to remove sediment, metals, petroleum products, trash, and vegetation that accumulate on streets. An effective street sweeping program is important for removing debris from roadsides and gutters, which could ultimately end up in the storm drains. Keeping the storm drains clear not only helps to mitigate water pollution, but also reduces the likelihood of flooding during heavy rain.

Advance Traffic Management System (ATMS)

The ATMS integrates technology primarily to improve the flow of vehicle traffic and improve safety. This is a central software application and is used to communicate directly to all network connected traffic signals under the City's jurisdiction (74+); and serves multiple functions such as traffic signal synchronization, signal timings database, alarm reporting, event logging, vehicle detection, etc. The City's current system is at its end of life (*25 years*) and will no longer be supported by the manufacturer. As a result, the fiscal year 2015 General Fund includes \$100,800 to replace the current ATMS.

Water and Wastewater Operations

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 2014, \$1.3 million was funded for North Heights Phase I Utility Replacement Project and Deleon Utility Project; for fiscal year 2015, \$1.2 million was funded for North Heights Phase II 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 electronically collects data from utility metering devices and transfers 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.

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

As an emergency supply, the City also maintains 10 of its original 15 water wells that can supply ground water from the Gulf Coast Aquifer. The aquifer is within the corporate limits of the City and varies in thickness from approximately 400 feet to approximately 900 feet. Another option available to the City is a contractual arrangement with the Guadalupe-Blanco River Authority, which allows access to a five-year rolling annual average of 1,240 acre/feet of surface water stored in Canyon Reservoir, with no more than 3,600 acre/feet to be used in any given year.

Over the last several fiscal years, the City has purchased a total of 7,006.7 acre feet/year of additional water rights, which has added to the City's water supply options and allows for improved flexibility. The City continues to explore other possibilities for additional future water supplies for its citizens.

Environmental Programs

In order to address the many quality of life issues that come before us each year, the fiscal year 2015 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 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 allocated to the City's closure and post-closure liability.

During fiscal year 2015, capping approximately 46 acres of the City's landfill will be completed, 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

Public Safety is a top priority in our community, which can be seen in the increased police presence on the streets and in the Fire Department's continued professionalism. With a combined funding proposal of \$26,106,321, the Police and Fire Departments are the two largest departments in the City. Some of the Police and Fire Department budgetary priorities consist of the following items:

- a. Completing the construction of new Fire Station No. 6 - the project started in the fourth quarter of fiscal year 2014. In addition, the fiscal year 2015 budget includes \$688,143 for twelve new fire fighters, \$620,000 for a new fire-pumper truck and ambulance, and approximately \$150,000 for maintenance and operations of Fire Station No. 6.
- b. In order to recruit qualified certified police officers and reduce the vacancy rate, Administration has implemented a \$19,889 three-year Commitment Hiring Program.
- c. Increasing Police Department training and education budget by \$36,760.
- d. The fiscal year 2015 General Fund budget will complete the replacement of the Police vehicles' video equipment and mobile data terminals; and, implement a new Ticket Writer Software System, at a budgetary cost of \$86,250 and \$114,775, respectively.

Park and Recreational Service Programs

The fiscal year 2015 General Fund includes the following Park and Recreational improvement programs: \$538,396 to construct a Splash Pad facility at the Community Center Park (\$765,800 total project cost; additional funding provided by CDBG and Construction Fund); \$50,000 for the construction of Grover's Bend parking lot; \$50,000 for the Riverside Convention Center Building conceptual design; and, \$49,750 for the Riverside Park Brush Clearing Program (*i.e. Goat Program*).

Library Service Programs

Serving the citizens of Victoria County, the City Library houses a book collection of over 148,000 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 are possible annually with funding for materials in fiscal year 2015 at \$222,200, compared to \$225,200 in fiscal year 2014. Upgrades and continual maintenance to the facility have taken place over the past few fiscal years including a complete interior renovation and landscaping; 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.

City's Comprehensive Plan

The Comprehensive Plan provides the Mayor and City Council, the Planning Commission, City management and staff, property owners, residents and other stakeholders with a long-range guide for the future growth of Victoria and its surrounding area. It does not impose another layer of regulations, but rather builds on what Victoria already has. It brings existing plans together, organizes, and streamlines existing programs in an effort to maximize "customer" satisfaction, the customer being citizens of Victoria. The City's Plan was originally initiated in 2000, reviewed and updated in November 2009 as the Victoria 2025 Comprehensive Plan. The fiscal year 2015 General Fund includes \$175,000 to update the City's Comprehensive Plan.

Routine Capital Expenditures

The fiscal year 2015 budget includes \$9.6 million in capital expenditures, a decrease of 39.7 percent. The decrease is mainly due to fiscal year 2014 "one-time" capital expenditures associated to capping 46 acres of the City's landfill and replacing major software programs, neither is planned for fiscal year 2015; and, a reduction in routine building improvements and vehicle replacements. The \$9.6 million capital expenditure budget will be funded with \$6.5 million of reoccurring revenues and \$3.1 million of "one-time" use of fund balance or working capital balance (*\$2.1 million General Fund; \$1 million Water/Wastewater Fund*), a decrease of one-time funding of \$5.01 million.

The following table recaps the \$9.6 million capital expenditures for fiscal year 2015, compared to fiscal year 2014.

<i>Type of Fund</i>	<i>FY 2015 Original Budget</i>	<i>FY 2014 Original Budget</i>	<i>Increase / (Decrease)</i>	<i>% Change</i>
<i>Governmental Funds</i>	\$5,572,262	\$ 5,758,471	(\$ 186,209)	-3.23%
<i>Enterprise Funds</i>	2,175,023	6,541,262	(4,366,239)	-66.75%
<i>Internal Service Funds</i>	1,853,625	3,620,418	(1,766,793)	-48.80%
<i>Total Capital Replacement</i>	<i>\$9,600,910</i>	<i>\$15,920,151</i>	<i>(\$6,319,241)</i>	<i>39.69%</i>

Maintaining Adequate Fund Balance and Working Capital Balance

Sales tax rebates and the property tax base have increased over past years; however, the City has found itself more dependent upon sales tax rebates than property tax base. Sales tax rebate revenue can be volatile in any given year. Because of this, the General Fund's minimum fund balance level becomes an important issue.

In prior years, Council set a policy of maintaining the General Fund fund balance reserve at 15% of budgeted expenditures; however, 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 reserve was set at 20% of budgeted expenditures, 22.5% in fiscal year 2013, and 23.5% in fiscal year 2014.

In order to create an adequate reserve to address future economic uncertainties, fiscal year 2015 sets the General Fund minimum fund balance reserve at 25% of budgeted expenditures. The minimum fund balance (25% of \$49,417,836 budgeted expenditures) is projected to be \$12,354,459 which represents approximately 3 months of fund balance reserve. The estimated ending fund balance for fiscal year 2015 is \$12,457,110, which is approximately \$102,651 over the minimum reserve fund balance. These funds will be reserved in order to address future contingencies, fund the City's capital improvement program, economic development programs, or expense as Council determines.

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

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.

Other Programs to Note

Swan Crossing Program - The City of Victoria developed a fifty-five lot subdivision for single-family housing called Swan Crossing. The subdivision is located at the northwest corner of Delmar Drive and Hanselman Road. This initiative is a public-private partnership between the City, private builders and lenders. Homes in the Swan Crossing subdivision range in size from 1,100 to 1,300 square feet and have 3 bedrooms, 2 baths and an oversized one car garage with prices starting at \$95,000. 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 thirteen homes constructed through this housing initiative (6 additional homes are under construction), Swan Crossing is achieving its desired result. Thirteen other lots were donated to Habitat for Humanity resulting in the completion of ten additional homes (three more are under construction). Twenty-three of the fifty-five lots remain available.

Community Development - The City of Victoria 2014-2015 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, 2014 to September 30, 2015, the City of Victoria will utilize CDBG funds totaling \$614,419 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	\$ 46,000	7.49%
2. Public Services Programs	86,246	14.04%
3. Public Facilities/Improvements	289,723	47.15%
4. Affordable Housing	91,500	14.89%
5. Program Administration	<u>100,950</u>	16.43%
Total:	<u>\$614,419</u>	

Transportation - Victoria has seen millions of Federal and State Transportation dollars come its way, with a major project that constructed two overpasses on Loop 463, Salem Road to Mockingbird Lane; and subsequently, the project was expanded 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 2014, the Victoria Metropolitan Planning Organization (MPO) approved the 2015-2018 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 2015-2018 TIP can be viewed in its entirety at <http://www.victoriatx.org/home/showdocument?id=5524>.

Financial Information

Accounting System and Internal Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budgets approved by the Mayor and Council. Activities of the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, Enterprise Funds, and Internal Service Funds are included in the annual budgets. The level of budgetary control includes expenditures that cannot legally exceed the appropriated amount and is established by departments within an individual governmental fund and proprietary fund.

Budgetary control is maintained at the subfunction level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders that result in an overrun of subfunction balances are not released until additional appropriations are made available. Open encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes at September 30, 2014.

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 2014, 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 2014, the City had most of its liability risks covered by insurance. These coverages are summarized below:

General Liability, including EMS Errors & Omissions	\$2,000,000 occurrence \$4,000,000 aggregate \$1,000 deductible per occurrence
Police Professional Liability	\$1,000,000 occurrence \$3,000,000 aggregate \$5,000 deductible per occurrence
Public Officials' Liability	\$5,000,000 occurrence \$10,000,000 aggregate \$25,000 deductible per claim
Fleet Liability	\$2,000,000 occurrence \$1,000,000 uninsured/underinsured motorist \$25,000 medical payment per person \$0 deductible on liability \$500 deductible each vehicle on auto physical damage \$10,000 deductible each occurrence on auto physical damage \$25,000 deductible catastrophe
Contractors' Equipment	\$2,868,340 (per scheduled equipment) \$1,000,000 newly purchased equipment \$5,000 deductible per occurrence
Comprehensive Property Damage	\$136,685,120 combined building and contents \$500,000 blanket extra expense \$136,685,120 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, 2013. This was the thirty-first 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

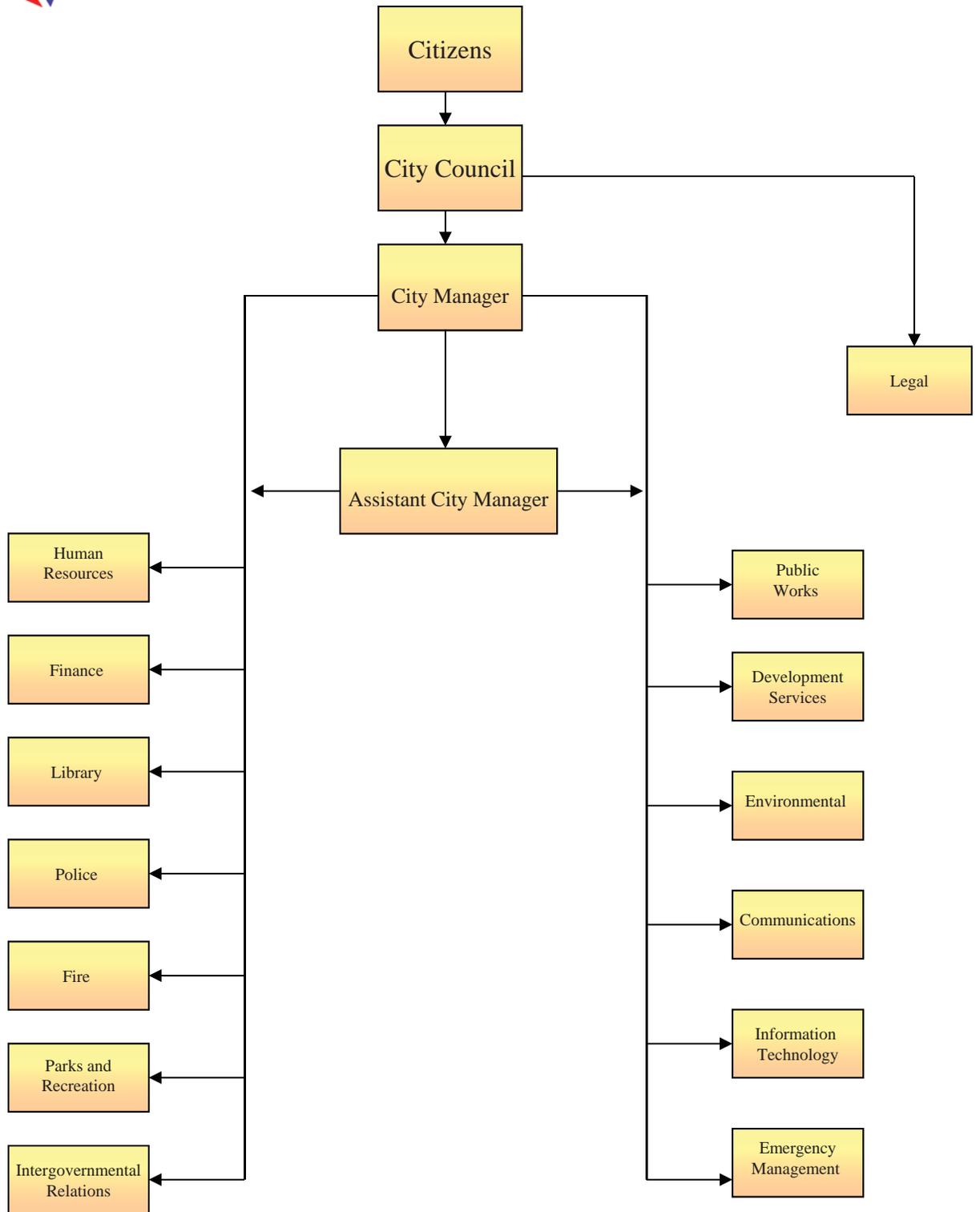
Presented to

City of Victoria
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



PRINCIPAL CITY OFFICIALS

ELECTED OFFICIALS



<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	<u>Term Expires</u>
<i>Front Row</i>			
David Hagan	Mayor Pro-Tem, District 4	8	May, 2015
Paul Polasek	Mayor	8	May, 2016
Tom Halepaska	Council Member, Super District 6	10	May, 2016
<i>Back Row</i>			
Dr. Andrew Young	Council Member, District 5	1	May, 2016
Josephine E. Soliz	Council Member, District 2	2	May, 2015
Jeff Bauknight	Council Member, District 3	1	May, 2015
Emett Alvarez	Council Member, District 1	2	May, 2015

ADMINISTRATIVE OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	
		<u>Current With City</u>	<u>Position</u>
Charmelle Garrett	City Manager	24	4
John Kaminski	Assistant City Manager	26	2
Gilbert P. Reyna, Jr.	Director of Finance	19	18
Thomas Gwosdz	City Attorney	5	5
Cheryl Marthiljohni	Director of Human Resources	4	4
James Foote	Director of Information Technology	7	2
Jared Mayfield	Director of Development Services	17	2
Jeffrey Craig	Police Chief	3	3
Taner Drake	Fire Chief	3	3
Colby VanGundy	Director of Parks and Recreation	1	1
Dayna Williams-Capone	Director of Public Library	7	5
Lynn Short	Director of Public Works	22	11
Darryl Lesak	Director of Environmental Services	6	2
O.C. Garza	Director of Communications	13	5
Jerry James	Director of Intergovernmental Relations	12	2



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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, 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 10, 2015, 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, LLP

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

March 10, 2015

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, 2014. 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.

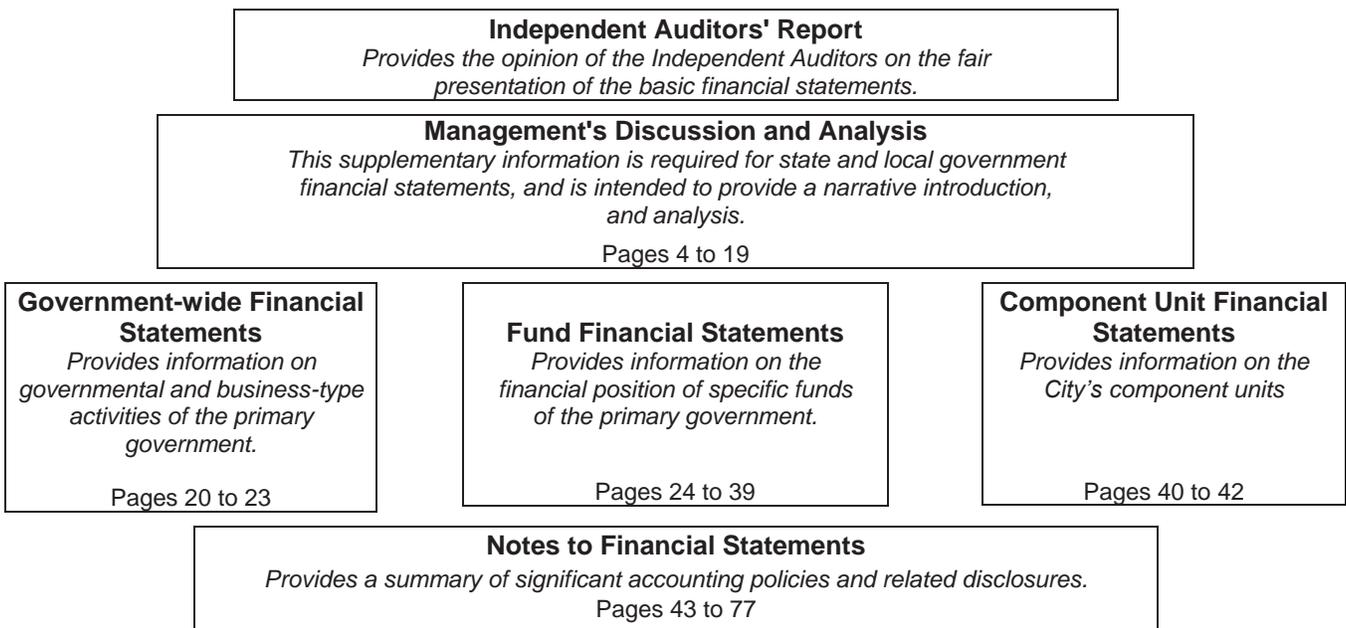
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2014, by \$188,645,474. Of this amount, \$35,612,913 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, 2014, the City's governmental funds reported combined ending fund balances of \$30,171,504, an increase of \$6,165,335 (26%) in comparison with prior year. The unassigned fund balance is \$15,330,199 (see page 11 for further detail).
- At September 30, 2014, unassigned fund balance for the General Fund was \$15,330,199 or 34% of total General Fund expenditures.
- The total cost of all City activities was \$89,990,283 for the fiscal year. Net cost of all activities was \$47,646,352.
- During the year, the City's general revenues exceeded net expenses of the primary government by \$785,566. This represents a 0.4% increase in net position from the previous fiscal year.
- The City's outstanding long-term debt had a net increase of \$19,427,861. The main reason for the increase is due to the fact that during the fiscal year 2014, the City issued \$28,520,000 in new debt (see page 15 for further detail).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information



OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Position

The statement of net position presents information on all of the City's assets 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 2014. 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 77 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 78 through 81 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 82 through 181 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 \$188,645,474 at the close of the fiscal year ended September 30, 2014.

At the end of fiscal year 2014, 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	
	2014	2013	2014	2013*	2014	2013*
Current assets	\$ 50,002,608	\$ 42,388,795	\$ 47,212,737	\$ 31,144,934	\$ 97,215,345	\$ 73,533,729
Capital assets (net)	<u>169,300,095</u>	<u>175,508,209</u>	<u>126,249,060</u>	<u>121,574,797</u>	<u>295,549,155</u>	<u>297,083,006</u>
Total assets	<u>219,302,703</u>	<u>217,897,004</u>	<u>173,461,797</u>	<u>152,719,731</u>	<u>392,764,500</u>	<u>370,616,735</u>
Deferred amount on refunding	<u>3,109,214</u>	<u>3,424,176</u>	<u>436,654</u>	<u>495,998</u>	<u>3,545,868</u>	<u>3,920,174</u>
Total deferred outflows of resources	<u>3,109,214</u>	<u>3,424,176</u>	<u>436,654</u>	<u>495,998</u>	<u>3,545,868</u>	<u>3,920,174</u>
Current and other liabilities	13,231,389	11,935,342	13,181,784	8,704,386	26,413,173	20,639,728
Noncurrent liabilities	<u>95,529,861</u>	<u>92,783,875</u>	<u>85,721,860</u>	<u>69,540,503</u>	<u>181,251,721</u>	<u>166,037,273</u>
Total liabilities	<u>108,761,250</u>	<u>104,719,217</u>	<u>98,903,644</u>	<u>78,244,889</u>	<u>207,664,894</u>	<u>186,677,001</u>
Net position:						
Net investment in capital assets	88,654,073	94,905,320	60,853,934	53,705,125	149,508,007	148,610,445
Restricted	3,524,554	3,500,017	-	-	3,524,554	3,500,017
Unrestricted	<u>21,472,040</u>	<u>18,196,626</u>	<u>14,140,873</u>	<u>21,265,715</u>	<u>35,612,913</u>	<u>35,749,446</u>
Total net position	<u>\$ 113,650,667</u>	<u>\$ 116,601,963</u>	<u>\$ 74,994,807</u>	<u>\$ 74,970,840</u>	<u>\$ 188,645,474</u>	<u>\$ 187,859,908</u>

*Net position of the 2013 business-type activities has been restated. See Note 23 of this report.

The largest portion of the City's fiscal year 2014 net position (79% or \$149,508,007) 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 \$3,524,554 consisting of \$1,298,748 for debt service, \$1,906,054 for special programs related to recreation, and \$319,752 for public safety programs. The remaining balance of \$35,612,913 may be used to meet the government's ongoing obligations to citizens and creditors; over all, the City's net position increased by \$785,566, which consists of a decrease of \$2,951,296 in governmental net position and an increase of \$3,736,862 in business-type net position.

City of Victoria, Texas Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013*	2014	2013*
REVENUES						
Program revenues:						
Charges for services	\$ 7,124,329	\$ 6,801,457	\$ 30,590,135	\$ 30,210,846	\$37,714,464	\$37,012,303
Operating grants and contributions	3,255,156	2,580,598	-	-	3,255,156	2,580,598
Capital grants and contributions	-	4,749,721	1,374,311	6,099,555	1,374,311	10,849,276
General revenues:						
Property taxes	22,403,124	20,848,132	-	-	22,403,124	20,848,132
Other taxes	25,038,129	24,645,781	-	-	25,038,129	24,645,781
Other	939,731	921,846	50,934	686,975	990,665	1,608,821
Total revenues	58,760,469	60,547,535	32,015,380	36,997,376	90,775,849	97,544,911
EXPENSES						
General government	6,094,985	5,709,668	-	-	6,094,985	5,709,668
Public safety	25,286,282	25,215,002	-	-	25,286,282	25,215,002
Development	20,425,736	19,282,345	-	-	20,425,736	19,282,345
Building services	608,534	622,921	-	-	608,534	622,921
Recreation	7,602,241	7,025,377	-	-	7,602,241	7,025,377
Interest on long-term debt	4,282,847	3,971,377	-	-	4,282,847	3,971,377
Water/wastewater	-	-	20,553,362	19,313,776	20,553,362	19,313,776
Environmental services	-	-	4,212,510	4,135,237	4,212,510	4,135,237
Other	-	-	923,786	926,599	923,786	926,599
Total expenses	64,300,625	61,826,690	25,689,658	24,375,612	89,990,283	86,202,302
Change in net position before transfers	(5,540,156)	(1,279,155)	6,325,722	12,621,764	785,566	11,342,609
Transfers	2,588,860	2,561,760	(2,588,860)	(2,561,760)	-	-
Change in net position	(2,951,296)	1,282,605	3,736,862	10,060,004	785,566	11,342,609
Net position - 10/01/13, as restated	116,601,963	115,319,358	71,257,945	61,197,941	187,859,908	176,517,299
Net position - 9/30/14	\$113,650,667	\$ 116,601,963	\$ 74,994,807	\$ 71,257,945	\$188,645,474	\$187,859,908

*Net position of the 2013 business-type activities has been restated. See Note 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

The over-all increase in net position is \$785,566, which consists of a decrease of \$2,951,296 in governmental activities and an increase of \$3,736,862 in business-type activities. The decrease in the governmental activities is mainly due to the increase in fiscal year 2014 expenses and the decrease in capital contributions from fiscal year 2013. The increase in the business-type activities is mainly the net effect of an increase in water sales and water meter connection fees, decrease in certain operating expenses, and capital contributions from the Sales Tax Development Corporation, a discretely presented component unit.

Governmental Activities

**City of Victoria, Texas
2014 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	\$ 6,094,985	9.48%	\$ 3,349,025	23.99%	(\$ 2,745,960)
Public safety	25,286,282	39.33%	4,878,148	32.45%	(20,408,134)
Development	20,425,736	31.77%	1,645,959	38.16%	(18,779,777)
Building services	608,534	0.94%	-	0.00%	(608,534)
Recreation	7,602,241	11.82%	506,353	5.40%	(7,095,888)
Interest on long-term debt	<u>4,282,847</u>	6.66%	-	0.00%	<u>(4,282,847)</u>
	<u>\$64,300,625</u>		<u>\$10,379,485</u>		<u>(\$ 53,921,140)</u>

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

<u>Description</u>	<u>Revenues</u>		<u>Revenues</u>	
	<u>2014</u>	<u>% of Total</u>	<u>2013</u>	<u>% of Total</u>
Charges for services	\$ 7,124,329	11.61%	\$ 6,801,457	10.78%
Operating grants and contributions	3,255,156	5.31%	2,580,598	4.09%
Capital grants and contributions	-	0.00%	4,749,721	7.53%
Property taxes	22,403,124	36.52%	20,848,132	33.03%
Sales taxes	17,692,397	28.84%	17,516,177	27.75%
Franchise taxes	5,308,414	8.65%	5,136,247	8.14%
Other taxes	2,037,318	3.32%	1,993,357	3.16%
Unrestricted investment earnings	130,688	0.21%	92,079	0.15%
Miscellaneous	809,043	1.32%	829,767	1.31%
Transfers	<u>2,588,860</u>	4.22%	<u>2,561,760</u>	4.06%
Total	<u>\$ 61,349,329</u>		<u>\$ 63,109,295</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type Activities

Fiscal year 2014 business-type activities increased the City's net position by \$3,736,862. The net position increase is due mainly to:

- 1) Water and Wastewater Fund revenues came in approximately \$487K over budget, mainly due to water sales and water meter connection fees;
- 2) Water and Wastewater Fund received a capital grant contribution from the Victoria Sales Tax Development Corporation in the amount of \$1.9 million; and,
- 3) Water and Wastewater Fund operating expenses came in approximately \$624K less than budget, mainly due to maintenance costs and various capital projects coming in under budget.

**City of Victoria, Texas
2014 Expenses and Program Revenues - Business-type Activities**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Water/wastewater	\$20,553,362	80.00%	\$26,525,575	82.98%	\$5,972,213
Environmental services	4,212,510	16.40%	5,043,783	15.78%	831,273
Other	<u>923,786</u>	3.60%	<u>395,088</u>	1.24%	(<u>528,698</u>)
	<u>\$25,689,658</u>		<u>\$31,964,446</u>		<u>\$6,274,788</u>

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

<u>Description</u>	<u>Revenues 2014</u>	<u>% of Total</u>	<u>Revenues 2013</u>	<u>% of Total</u>
Charges for services	\$30,590,135	103.95%	\$30,210,846	87.73%
Capital grants and contributions	1,374,311	4.67%	6,099,555	17.71%
Unrestricted investment earnings	50,934	0.17%	57,555	0.17%
Miscellaneous	-	0.00%	629,420	1.83%
Transfers	(<u>2,588,860</u>)	(8.79%)	(<u>2,561,760</u>)	(7.44%)
Total	<u>\$29,426,520</u>		<u>\$34,435,616</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 2014, the City's governmental funds reported combined ending fund balances of \$30,171,504, an increase of \$6,165,335. The main reasons for the increase in the City's governmental funds are the issuance of the 2013 Certificates of Obligation, increase in hotel tax receipts, new franchise tax for the City's public TV programming, and reimbursements from TxDOT Overpass – Loop 463 Salem Road Project, per the "Pass-Through Agreement for Payment of Pass-Through Tolls" executed by the City of Victoria and Texas Department of Transportation.

The City's governmental funds combined fund balance of \$30,171,504 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 2014, unassigned fund balance of the General Fund was \$15,330,199 while total General Fund fund balance was \$18,288,252. 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 increased by \$426,749, which was mainly due to an increase in sales tax receipts and various operating costs coming in under budget.

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 2014, fund balance of the Capital Construction Fund (3037) was \$6,578,597.

The main reason for the increase in the Capital Construction Fund (3037) fund balance is due to the issuance of the 2013 Certificates of Obligation.

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 2014, fund balance of the Debt Service Fund was \$1,091,077. The main reason for the \$131,701 decrease in the Debt Service Fund fund balance is mainly due to the increase of expenditures over fiscal year 2013 by \$903,476.

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>	2014	(As Restated)
	<u>Unrestricted Net Position</u>	<u>2013 Unrestricted Net Position</u>
Water and Wastewater	\$10,123,692	\$13,547,023
Environmental Services	2,531,682	1,949,450
Other	<u>1,485,499</u>	<u>2,056,347</u>
Total	<u>\$14,140,873</u>	<u>\$17,552,820</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 2014 General Fund original budget and fiscal year 2014 General Fund final amended budget for expenditures (including transfers) was \$2,581,579. The \$2,581,579 is made up of the following: \$2,331,579 for fiscal year 2013 carryover encumbrances and fiscal year 2014 budget amendments of \$250,000 associated to a traffic signal project.
- The original fiscal year 2014 budget included approximately \$3.9 million of "one-time" expenditures mainly consisting of capital acquisition and improvement projects.
- For fiscal year 2014, the General Fund revenues came in \$1.21 million higher than the General Fund amended 2014 budget or \$706K higher than the General Fund projected 2014 budget, mainly due to sales tax, licenses and permits, charges for services, municipal court fees, and miscellaneous revenue.
- For fiscal year 2014, the General Fund actual expenditures, including encumbrances, came in approximately \$1.44 million lower than the General Fund amended fiscal year 2014 budget or \$312K lower than the General Fund projected 2014 budget. The positive variances are mainly the net result of personnel and various maintenance costs coming in lower than expected and capital outlay expense coming in higher than expected.

PENSIONS AND RETIREE HEALTHCARE

Pensions and retiree health care continue to receive negative media attention as governments around the nation struggle to fund these commitments. The City is committed to providing programs in these areas that are fair to both employees and taxpayers and that can be sustained over the long term.

In prior years, the Texas Municipal Retirement System adopted significant changes to the plan, which resulted in an increase in the City's annual pension cost, as discussed in note 7. While the overall affect should be positive in the long term, the City experienced a net reduction in funded status to 74.29% from 77.26%, compared to the December 31, 2013 valuation.

The City does not currently anticipate any changes in its pension strategy due to the issuance of GASB 68, Employer Accounting for Pensions.

Retiree health care's actuarially accrued liability has been calculated in accordance with GASB 45 to be \$128,372 as of September 30, 2014, a decrease of \$56,952 from the previous year. Currently, the City is looking into prefunding an OPEB Trust Fund in the coming year.

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, 2014, amounts to \$295,549,155 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment, machinery and equipment, improvements other than buildings, streets and bridges, water and wastewater distribution system, and construction in progress. The total net decrease in the City's investment in capital assets for the current fiscal year was \$1,533,851 or 0.5% (a (\$6,208,114) or 3.54% decrease for governmental activities and \$4,674,263 or 3.84% 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	\$ -	\$ -	\$ 12,691	\$ -	\$ 12,691
Buildings	432,065	6,290	685,035	25,675	1,085,135
Other structure improvements	258,235	106,309	84,249	18,466	217,709
Infrastructure - streets, drainage, traffic, and sidewalks, etc.	3,063,445	-	-	-	3,063,445
Construction in progress	7,453,979	3,084,445	8,236,638	2,272,924	10,333,248
Machinery, equipment, and vehicles	3,824,512	1,361,474	619,622	71,411	3,011,249
Water and wastewater distribution system	-	-	<u>4,149,299</u>	-	<u>4,149,299</u>
Total	<u>\$ 15,032,236</u>	<u>\$ 4,558,518</u>	<u>\$ 13,787,534</u>	<u>\$ 2,388,476</u>	21,872,776
					FY 2014 depreciation expense (24,656,644)
					FY 2014 accumulated depreciation deletions 1,250,017
					Primary government beginning capital assets balance <u>297,083,006</u>
					Primary government ending capital assets balance <u>\$295,549,155</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, 2014:

City of Victoria, Texas						
Capital Assets						
(Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,361,837	\$ 4,361,837	\$ 4,390,635	\$ 4,377,944	\$ 8,752,472	\$ 8,739,781
Construction in progress	15,104,790	10,735,256	11,535,707	5,571,993	26,640,497	16,307,249
Machinery and equipment	16,708,436	18,321,219	2,080,103	1,976,148	18,788,539	20,297,367
Buildings	8,776,203	9,288,441	26,683,531	27,339,959	35,459,734	36,628,400
Improvements other than buildings	3,051,940	3,204,017	900,903	951,920	3,952,843	4,155,937
Infrastructure	121,296,889	129,597,439	1,089,296	1,222,170	122,386,185	130,819,609
Water and wastewater distribution system	-	-	79,568,885	80,134,663	79,568,885	80,134,663
Total	<u>\$169,300,095</u>	<u>\$175,508,209</u>	<u>\$126,249,060</u>	<u>\$121,574,797</u>	<u>\$295,549,155</u>	<u>\$297,083,006</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 2014, the City had total bonded debt outstanding of \$180,730,000. Of this amount, \$97,440,000 comprises debt backed by the full faith and credit of the government and \$83,290,000 secured solely by specific revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$1,481,270 in compensated absences, \$128,372 in other post employment benefits payable, \$6,618,630 in estimated landfill closure and post-closure care cost; and \$6,764,206 in net bond premium (discount) as of September 30, 2014.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013*	2014	2013*
General obligation bonds	\$ 43,360,000	\$ 46,370,000	\$ -	\$ -	\$ 43,360,000	\$ 46,370,000
Certificate of obligation bonds	54,080,000	47,385,000	-	-	54,080,000	47,385,000
Revenue bonds	-	-	83,290,000	69,035,000	83,290,000	69,035,000
Compensated absences	1,230,473	1,230,306	250,797	257,598	1,481,270	1,487,904
OPEB payable	106,751	140,846	21,621	44,478	128,372	185,324
Estimated landfill closure and post-closure care cost	-	-	6,618,630	6,923,136	6,618,630	6,923,136
Net bond premium (discount)	<u>2,492,041</u>	<u>2,741,198</u>	<u>4,272,165</u>	<u>2,167,055</u>	<u>6,764,206</u>	<u>4,908,253</u>
Total	<u>\$101,269,265</u>	<u>\$ 97,867,350</u>	<u>\$ 94,453,213</u>	<u>\$ 74,714,372</u>	<u>\$195,722,478</u>	<u>\$176,294,617</u>

*2013 outstanding debt of the business-type activities has been restated. See Note 23 of this report.

The City's debt had a net increase of \$19,427,861 or 11%. The key factors to this net increase are the following:

- Debt payments of \$5,410,000 in governmental activities bonds and \$5,170,000 in business-type activities bonds were made during fiscal year 2014,
- The City issued the 2013 Certificates of Obligation in the amount of \$9,095,000 during fiscal year 2014,
- The City also issued the 2014 Utility System Revenue Bonds in the amount of \$19,425,000 during fiscal year 2014,
- Compensated absences liability decreased by \$6,634,
- Landfill closure/post-closure care cost had a net decrease of \$304,506, and
- Bond premium had a net increase of \$1,855,953.

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

- The Federal Reserve Bank of Dallas reports, as of June 2014, that the Texas economy has grown at a faster pace, according to recent data. Job growth picked up in April, and unemployment fell to a new five-year low. Housing permits, new and existing home sales rose in April. Thus far, in the second quarter, Texas Business Outlook Survey results are improved over first quarter averages, suggesting that manufacturing and service activity is picking up. Wage pressures continue as labor shortages persist, even for unskilled labor. However, employment growth for the full year is projected to outpace 2013.

Texas employment grew at a 5.7 percent annualized rate in April, up from 2.7 percent in the first quarter. The quarterly data point to robust employment growth similar to what was experienced in late 2012. The energy industry continued to lead growth, followed by professional and business services and construction. More than 40 percent of the 52,700 jobs gained in Texas in April were created in the Dallas-Fort Worth metropolitan area.

Texas' unemployment rate fell further in June, to 5.1 percent, the lowest level since September 2008 (*Victoria's unemployment rate for May was 4.1 percent*). The U.S. unemployment rate also declined in June, to 6.1 percent, and held steady in May.

Construction activity showed signs of accelerating as single-family and multifamily permits picked up in April. However, a low supply of vacant developed lots is constraining building activity somewhat. Existing home sales grew at a non-annualized rate of 2.1 percent, as of June. The inventory of unsold existing homes relative to sales in Texas remained unchanged in April at 3.6 months (*Victoria stood at 3.0*), which is more than two months below the six-month level considered normal.

Texas drilling and oilfield services activity remains solid. The rig count fell to 888 during the second week of June but remained elevated at a level not seen since August 2012. West Texas Intermediate oil prices average \$105.97 per barrel during the second week of June. Natural gas prices have fallen significantly from the peak in mid-February but remain above June 2013 levels.

Texas exports rose 4.3 percent month over month in April after falling 0.8 percent in March. Exports have grown 0.9 percent year to date. The global trade deceleration that may have been responsible for a slowing in Texas exports is expected to be temporary. The International Monetary Fund World Economic Outlook projects a strengthening in global growth to 3.6 percent for calendar year 2014. Exports to Mexico, Texas' largest trading partner, expanded 1.5 percent in the first quarter as Mexico's economic growth fell short of expectations. Mexico's government cut its 2014 growth forecast after first quarter growth trailed analysts' estimates. Even though the first quarter growth was a disappointment, it was twice the 2013 fourth quarter rate.

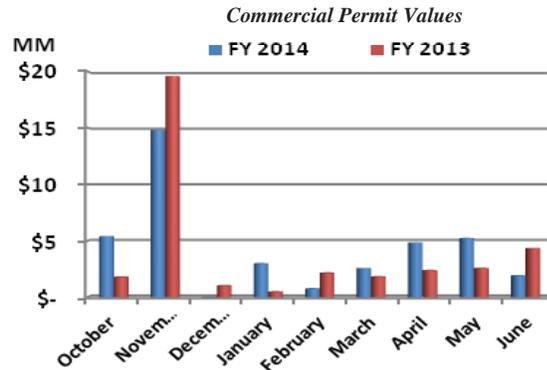
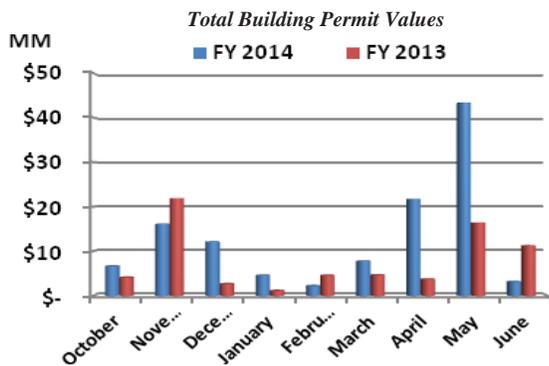
Just like Texas, Victoria's economy is strong and continues to surge in business investments. For example, Caterpillar completed its \$18.4 million expansion, with possible future expansion, and anticipates having approximately 800 employees by 2016. Ken Garner Manufacturing (*KGM*), supplier to Caterpillar, 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. The John Stockbauer Corridor is experiencing major commercial and industrial development activities, such as Klean Corp., UniFirst, K and T Construction Company, Synergy Office and Retail Center, and Apartments (*Oak Forest, The Colony, Latigo Crossing*). Victoria Lone Tree Road area is also experiencing various development expansions such as Hlavinka Equipment Company, FedEx Distribution Facility, and Victoria College Emerging Technology Complex, which will be used to train new Caterpillar employees, provide training for petro-chemical, manufacturing and oil and gas industries, and other continuing education classes.

In addition, we have in our area the Eagle Ford Shale project, which is expected to continue over the next several years; and, energize 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.

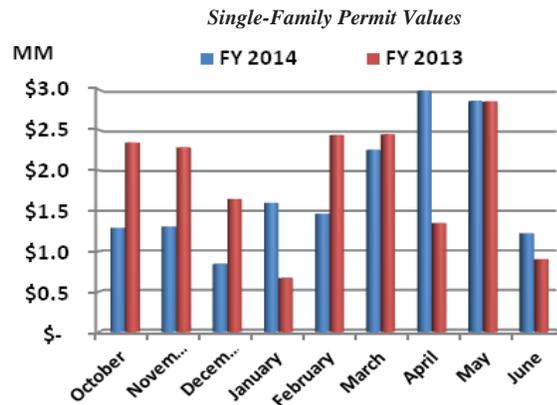
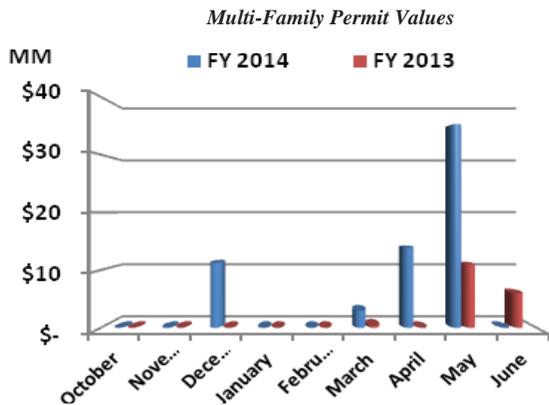
New developments continue to occur at the Port of Victoria and future expansion is planned by the University of Houston-Victoria. This economic growth has all led to confidence in our community. This confidence is

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, and single-family units*) increased by 67.3% or \$47.3 million, comparing June 2014 to June 2013. As of June 2014, total commercial permit value is \$38.4 million, an increase of 6.5% or \$2.3 million from last year's values.



As of June 2014, Victoria's multi-family permit value is \$63.5 million, an increase of 265.6% or \$46.1 million from last year's values; and, single-family permit value is \$15.8 million, a decrease of 6.5% or \$1.1 million from last year's values.



Victoria continues to receive residential construction plats, including the expansion of Terra Vista and Tuscany Subdivisions, The Ranches at Terra Vista Subdivision, Fox Creek Subdivision, Lake Forest Subdivision, Capstone Estate Phase III Subdivision, Salem Crossing Subdivision, Windcrest Phase VI Subdivision, Sendera Estates Subdivision, and The Escalera Ranch Subdivision.

In addition to the single-family housing market growth, Victoria continues to see an increase in multi-family housing. Some of the new multi-family housing consists of The Reserve Apartments (*96 multi-family units*), The Colony Apartments (*180 multi-family units*), The Latigo Crossing Apartments (*180 multi-family units*), The Ascension Apartments (*242 multi-family units*), The Oak Forest Apartments (*264 multi-family units*), The Duke Apartments (*252 multi-family units*), and *The Vista Alta Apartments (48 multi-family units)*. Along with this housing market expansion, growth continues to occur in the general commercial and retail sectors.

Wal-Mart completed its second Super Center, located on Houston Highway, and HEB Grocery completed a \$4 million renovation at its Navarro Street location. The Victoria Mall is planning another major interior and exterior renovation to its buildings, and has added new retail stores such as Charlotte Russe and Spencer's Gifts. The hospitality industry continues to grow as well. Hotel Victoria opened in April 2014 and the Comfort Inn & Suites opened in May 2014. The Marriott Courtyards is planning to open in August 2014, and La Quinta has submitted their construction plans and is planning to open sometime late 2014 or early 2015.

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

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

As an emergency supply, the City also maintains 10 of its original 15 water wells that can supply ground water from the Gulf Coast Aquifer. The aquifer is within the corporate limits of the City and varies in thickness from approximately 400 feet to approximately 900 feet. Another option available to the City is a contractual arrangement with the Guadalupe-Blanco River Authority, which allows access to a five-year rolling annual average of 1,240 acre/feet of surface water stored in Canyon Reservoir, with no more than 3,600 acre/feet to be used in any given year.

Over the last several fiscal years, the City has purchased a total of 7,006.7 acre feet/year of additional water rights, which has added to the City's water supply options and allows for improved flexibility. The City continues to explore other possibilities for additional future water supplies for its citizens.

- The City of Victoria, with a population of about 65,000, 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. The economy has historically been tied to the petrochemical and industrial sectors but has recently begun to diversify as the City has become a regional center for retail trade and health care. It is estimated that the City serves as the economic hub for an estimated 175,000 residents. This is reinforced by per capita retail sales that exceed 150% of the national level. While currently low oil prices have led to some uncertainty regarding the industry's short-term employment levels, the City does not believe that their economic or tax bases is depend heavily on the oil sector.

Over the past fourteen years (2000 thru 2014), City's population has grown approximately 7.1%. The population is projected to grow by 14.1% over the next eleven years or 1.28% per year.

- As of the first quarter of fiscal year 2015, sales tax revenues came in approximately \$808K or 14.9% over 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, 2014. The fiscal year 2014-2015 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 \$3,979,855,103; an increase of 6.52% or \$244 million over last year's tax roll (adjusted for frozen taxable appraised values) of \$3,736,222,546.
- The ad valorem tax rate for fiscal year 2015 was set at 58.40¢, a decrease of 1.56¢ from last year's tax rate of 59.96¢. The tax rate is allocated at 33.34¢ for General Fund maintenance and operating costs (a decrease of 1.56¢), and 25.06¢ for Debt Service Fund (same as last fiscal year).
- The General Fund unassigned fund balance at September 30, 2014, came in \$4,310,991 above the minimum required unassigned fund balance of \$11,019,208, for a total year-end unassigned fund balance of \$15,330,199. The City had a policy of maintaining a minimum unassigned fund balance of 23.5% of total expenditures (for fiscal year 2015, the minimum unassigned fund balance was raised to 25%). The excess unassigned fund balance will be used during fiscal year 2015 on one-time/non-reoccurring expenditures, capital improvement projects, or at Council's discretion.

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

- The fiscal year 2015 Budget includes \$2,413,213 of General Fund one-time expenditures and \$1,175,417 of Water and Wastewater Fund one-time expenses.
- Water and sewer base rates and residential collections fees were increased in fiscal year 2015.
- City's landfill generates a large amount of methane gas that was being flared. While the flare system destroys the methane produced by the landfill, this potential energy source was not being recovered and put to beneficial use; it could be a new source of revenue for the City. Consequently, during the latter part of fiscal year 2010, the City partnered with Renovar Energy Corporation (Renovar) in order to capitalize on the potential benefits of usage of the City landfill gas.

Renovar will build and maintain a gas collection system, located at the City's landfill; and, will be allowed to sell the processed gas to a nearby industrial plant over the next 15 years. In return, the City received an up-front one-time payment of \$110,000 and 15 years of royalty payments (starting in fiscal year 2014).

- The City's next six fiscal years Capital Improvement Program Projects consist of approximately \$154.9 million; FY 2015 - \$75.5 million, FY 2016 - \$17.7 million, FY 2017 - \$15.4 million, FY 2018 - \$14.4 million, FY 2019 - \$19.6 million, and FY 2020 - \$12.3 million (more detailed information on this subject can be found in the City's Fiscal Year 2015 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, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,171,066	\$ 6,189,232	\$ 19,360,298	\$ 7,050,755
Investments	29,065,080	9,303,543	38,368,623	9,196,923
Receivables (net)	7,263,715	2,547,611	9,811,326	752,250
Internal balances	(44,984)	44,984	-	-
Due from component unit	40,768	-	40,768	-
Due from primary government	-	-	-	25,062
Inventory	453,833	142,507	596,340	-
Returned checks	18,130	3,988	22,118	-
Restricted assets				
Cash and cash equivalents	35,000	9,465,461	9,500,461	-
Investments	-	19,515,411	19,515,411	-
Total current assets	<u>50,002,608</u>	<u>47,212,737</u>	<u>97,215,345</u>	<u>17,024,990</u>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	19,466,627	15,926,342	35,392,969	4,135,548
Buildings, improvements, and equipment (net)	<u>149,833,468</u>	<u>110,322,718</u>	<u>260,156,186</u>	<u>6,836,375</u>
Total noncurrent assets	<u>169,300,095</u>	<u>126,249,060</u>	<u>295,549,155</u>	<u>10,971,923</u>
Total assets	<u>219,302,703</u>	<u>173,461,797</u>	<u>392,764,500</u>	<u>27,996,913</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	<u>3,109,214</u>	<u>436,654</u>	<u>3,545,868</u>	-
Total deferred outflows of resources	<u>3,109,214</u>	<u>436,654</u>	<u>3,545,868</u>	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities				
Accounts payable	\$ 3,474,173	\$ 1,142,145	\$ 4,616,318	\$ 249,013
Accounts payable (payable from restricted assets)	-	1,716,580	1,716,580	-
Accrued expenses	1,816,239	297,089	2,113,328	-
Due to other governments	145,914	39,028	184,942	-
Due to component unit	-	25,062	25,062	-
Due to primary government	-	-	-	40,768
Customer deposits	-	41,705	41,705	-
Claims payable	599,272	-	599,272	-
Unearned revenue	961,733	-	961,733	-
Accrued compensated absences	14,404	2,936	17,340	-
Landfill closure cost	-	2,713,417	2,713,417	-
Accrued interest payable	494,654	1,188,822	1,683,476	36,630
Current portion of long-term obligations	<u>5,725,000</u>	<u>6,015,000</u>	<u>11,740,000</u>	<u>945,000</u>
Total current liabilities	<u>13,231,389</u>	<u>13,181,784</u>	<u>26,413,173</u>	<u>1,271,411</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	94,207,041	81,547,165	175,754,206	2,058,188
Accrued compensated absences	1,216,069	247,861	1,463,930	-
Other post employment benefits payable	106,751	21,621	128,372	-
Estimated landfill closure and postclosure care cost	-	3,905,213	3,905,213	-
Total noncurrent liabilities	<u>95,529,861</u>	<u>85,721,860</u>	<u>181,251,721</u>	<u>2,058,188</u>
Total liabilities	<u>108,761,250</u>	<u>98,903,644</u>	<u>207,664,894</u>	<u>3,329,599</u>
NET POSITION				
Net investment in capital assets	88,654,073	60,853,934	149,508,007	7,968,735
Restricted for:				
Debt service	1,298,748	-	1,298,748	-
Public safety	319,752	-	319,752	-
Recreation	1,906,054	-	1,906,054	-
Unrestricted	<u>21,472,040</u>	<u>14,140,873</u>	<u>35,612,913</u>	<u>16,698,579</u>
Total net position	<u>\$ 113,650,667</u>	<u>\$ 74,994,807</u>	<u>\$ 188,645,474</u>	<u>\$ 24,667,314</u>

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 6,094,985	\$ 2,088,907	\$ 1,260,118	\$ -
Public safety	25,286,282	4,573,392	304,756	-
Development	20,425,736	10,440	1,635,519	-
Building services	608,534	-	-	-
Recreation	7,602,241	451,590	54,763	-
Interest on long-term debt	4,282,847	-	-	-
Total governmental activities	<u>64,300,625</u>	<u>7,124,329</u>	<u>3,255,156</u>	<u>-</u>
Business-type activities				
Water/wastewater	20,553,362	25,151,264	-	1,374,311
Environmental services	4,212,510	5,043,783	-	-
Other	923,786	395,088	-	-
Total business-type activities	<u>25,689,658</u>	<u>30,590,135</u>	<u>-</u>	<u>1,374,311</u>
Total primary government	<u>\$ 89,990,283</u>	<u>\$ 37,714,464</u>	<u>\$ 3,255,156</u>	<u>\$ 1,374,311</u>
Component Units	<u>\$ 3,221,696</u>	<u>\$ 29,270</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
\$ (2,745,960)	\$ -	\$ (2,745,960)	\$ -
(20,408,134)	-	(20,408,134)	-
(18,779,777)	-	(18,779,777)	-
(608,534)	-	(608,534)	-
(7,095,888)	-	(7,095,888)	-
(4,282,847)	-	(4,282,847)	-
<u>(53,921,140)</u>	<u>-</u>	<u>(53,921,140)</u>	<u>-</u>
-	5,972,213	5,972,213	-
-	831,273	831,273	-
-	(528,698)	(528,698)	-
-	6,274,788	6,274,788	-
<u>(53,921,140)</u>	<u>6,274,788</u>	<u>(47,646,352)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,192,426)</u>
13,988,470	-	13,988,470	-
8,414,654	-	8,414,654	-
17,692,397	-	17,692,397	8,871,260
5,308,414	-	5,308,414	-
2,037,318	-	2,037,318	-
130,688	50,934	181,622	30,924
809,043	-	809,043	227,501
<u>2,588,860</u>	<u>(2,588,860)</u>	<u>-</u>	<u>-</u>
<u>50,969,844</u>	<u>(2,537,926)</u>	<u>48,431,918</u>	<u>9,129,685</u>
(2,951,296)	3,736,862	785,566	5,937,259
<u>116,601,963</u>	<u>71,257,945</u>	<u>187,859,908</u>	<u>18,730,055</u>
<u>\$ 113,650,667</u>	<u>\$ 74,994,807</u>	<u>\$ 188,645,474</u>	<u>\$ 24,667,314</u>

CITY OF VICTORIA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General	Debt Service	Capital Construction Fund (3037)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,240,022	\$ 116,120	\$ 2,352,348
Investments	17,479,917	1,000,301	5,399,973
Receivables (net)	5,934,696	676,981	-
Due from other funds	531,755	-	-
Due from component unit	-	-	-
Inventory	268,964	-	-
Returned checks	18,130	-	-
Total assets	<u>\$ 26,473,484</u>	<u>\$ 1,793,402</u>	<u>\$ 7,752,321</u>
LIABILITIES			
Accounts payable	\$ 1,352,087	\$ -	\$ 1,173,724
Accrued expenditures	1,754,247	-	-
Accrued compensated absences	2,296	-	-
Due to other governments	145,914	-	-
Due to other funds	598,419	-	-
Accrued interest payable	-	25,344	-
Unearned revenue	767,450	-	-
Total liabilities	<u>4,620,413</u>	<u>25,344</u>	<u>1,173,724</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,564,819	676,981	-
Total deferred inflows of resources	<u>3,564,819</u>	<u>676,981</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Inventory	268,964	-	-
Restricted	-	1,091,077	6,578,597
Committed	2,689,089	-	-
Unassigned	15,330,199	-	-
Total fund balances	<u>18,288,252</u>	<u>1,091,077</u>	<u>6,578,597</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 26,473,484</u>	<u>\$ 1,793,402</u>	<u>\$ 7,752,321</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 4,185,771	\$ 8,894,261
939,504	24,819,695
536,925	7,148,602
321,258	853,013
40,768	40,768
-	268,964
-	18,130
<u>\$ 6,024,226</u>	<u>\$ 42,043,433</u>
\$ 641,259	\$ 3,167,070
11,199	1,765,446
-	2,296
-	145,914
963,907	1,562,326
-	25,344
<u>194,283</u>	<u>961,733</u>
<u>1,810,648</u>	<u>7,630,129</u>
-	<u>4,241,800</u>
-	<u>4,241,800</u>
-	268,964
4,213,578	11,883,252
-	2,689,089
-	15,330,199
<u>4,213,578</u>	<u>30,171,504</u>
<u>\$ 6,024,226</u>	<u>\$ 42,043,433</u>

CITY OF VICTORIA, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION

OF GOVERNMENTAL ACTIVITIES

September 30, 2014

Total governmental fund balances		\$ 30,171,504
<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.		19,198,900
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are "unavailable" in the funds.		2,152,676
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.		2,089,124
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	\$ 314,736,905	
Accumulated depreciation of governmental capital assets	<u>(156,124,914)</u>	158,611,991
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable	(97,440,000)	
Premiums on bonds payable	(2,492,041)	
Loss on refunding	3,109,214	
Accrued interest on the bonds	(469,310)	
Other post employment benefits payable	(106,751)	
Compensated absences	<u>(1,174,640)</u>	<u>(98,573,528)</u>
Net position of governmental activities		<u>\$ 113,650,667</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, 2014

	General	Debt Service	Capital Construction Fund (3037)
REVENUES			
Taxes	\$ 37,169,746	\$ 8,250,373	\$ -
Licenses and permits	1,134,453	-	-
Intergovernmental	1,742,790	421,220	-
Charges for services	2,162,871	-	-
Fines and forfeitures	1,487,404	-	-
Investment income	85,986	6,606	16,124
Miscellaneous	464,884	-	-
Total revenues	<u>44,248,134</u>	<u>8,678,199</u>	<u>16,124</u>
EXPENDITURES			
Current			
General government	4,024,111	-	-
Public safety	24,623,723	-	-
Development	10,275,761	-	197,498
Building services	606,761	-	-
Recreation	5,912,157	-	-
Capital outlay	-	-	4,516,213
Debt service			
Principal retirement	-	5,410,000	-
Interest and fiscal charges	-	4,103,190	-
Paying agents' fees, issue costs, and arbitrage rebate premiums	-	16,985	145,222
Total expenditures	<u>45,442,513</u>	<u>9,530,175</u>	<u>4,858,933</u>
Excess (deficiency) of revenues over expenditures	(1,194,379)	(851,976)	(4,842,809)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	9,095,000
Premium on issuance of bonds	-	-	50,222
Transfers in	3,068,860	720,275	7,692
Transfers out	(1,447,732)	-	-
Total other financing sources (uses)	<u>1,621,128</u>	<u>720,275</u>	<u>9,152,914</u>
Change in fund balances	426,749	(131,701)	4,310,105
Fund balances at beginning of year	<u>17,861,503</u>	<u>1,222,778</u>	<u>2,268,492</u>
Fund balances at end of year	<u>\$ 18,288,252</u>	<u>\$ 1,091,077</u>	<u>\$ 6,578,597</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,936,667	\$ 47,356,786
-	1,134,453
1,557,304	3,721,314
-	2,162,871
113,226	1,600,630
3,584	112,300
1,538,933	2,003,817
<u>5,149,714</u>	<u>58,092,171</u>
1,285,421	5,309,532
582,415	25,206,138
231,535	10,704,794
-	606,761
1,720,049	7,632,206
-	4,516,213
-	5,410,000
-	4,103,190
-	162,207
<u>3,819,420</u>	<u>63,651,041</u>
1,330,294	(5,558,870)
-	9,095,000
-	50,222
2,187,855	5,984,682
(1,957,967)	(3,405,699)
<u>229,888</u>	<u>11,724,205</u>
1,560,182	6,165,335
<u>2,653,396</u>	<u>24,006,169</u>
<u>\$ 4,213,578</u>	<u>\$ 30,171,504</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, 2014*

Total net change in fund balances - governmental funds		\$ 6,165,335
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Internal service funds are used by the City to charge the costs of certain activities, such as insurance and vehicle and equipment services, to individual funds. The net activity of the internal service funds are reported with governmental activities.		827,119
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	\$ 9,171,194	
Depreciation expense	<u>(15,301,292)</u>	(6,130,098)
The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase (decrease) net position.		(99,355)
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	(9,095,000)	
(Premium) discount	<u>(50,222)</u>	(9,145,222)
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		5,410,000
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	324,545	
Other revenues	<u>(318,262)</u>	6,283
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	(2,003)	
Increase in accrued interest	(1,866)	
Decrease in loss on bond refunding	(314,963)	
Net decrease in bond premium	299,379	
Decrease in other post employment benefits payable	<u>34,095</u>	<u>14,642</u>
Change in net position of governmental activities		<u>\$ (2,951,296)</u>

The accompanying notes are an integral part of this statement.



CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,256,032	\$ 1,422,856	\$ 510,344
Investments	6,202,611	3,100,932	-
Receivables (net)	2,282,422	264,791	398
Due from other funds	-	-	168,261
Inventory	142,507	-	-
Returned checks	2,468	-	1,520
Restricted assets			
Cash and cash equivalents	6,787,832	2,466,210	211,419
Investments	16,493,051	2,222,120	800,240
Total current assets	36,166,923	9,476,909	1,692,182
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	14,726,653	799,931	399,758
Buildings, improvements, and equipment (net)	104,336,444	1,871,717	4,114,557
Total noncurrent assets	119,063,097	2,671,648	4,514,315
Total assets	155,230,020	12,148,557	6,206,497
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	436,654	-	-
Total deferred outflows of resources	436,654	-	-
LIABILITIES			
Current liabilities			
Accounts payable	862,351	139,944	139,850
Accounts payable (payable from restricted assets)	1,716,580	-	-
Accrued expenses	233,695	53,291	10,103
Accrued compensated absences	2,394	525	17
Landfill closure cost	-	2,713,417	-
Due to other governments	-	39,028	-
Due to other funds	89,250	20,449	13,578
Due to component unit	-	25,062	-
Customer deposits	-	-	41,705
Claims payable	-	-	-
Accrued interest payable	1,188,822	-	-
Current portion of revenue bonds	6,015,000	-	-
Total current liabilities	10,108,092	2,991,716	205,253
Noncurrent liabilities			
Revenue bonds (net of current portion)	77,275,000	-	-
Premiums on long-term debt	4,272,165	-	-
Accrued compensated absences	202,148	44,283	1,430
Other post employment benefits payable	17,606	4,015	-
Estimated landfill closure and postclosure care cost	-	3,905,213	-
Total noncurrent liabilities	81,766,919	3,953,511	1,430
Total liabilities	91,875,011	6,945,227	206,683
NET POSITION			
Net investment in capital assets	53,667,971	2,671,648	4,514,315
Unrestricted net position	10,123,692	2,531,682	1,485,499
Total net position	\$ 63,791,663	\$ 5,203,330	\$ 5,999,814

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 6,189,232	\$ 4,276,805
9,303,543	4,245,385
2,547,611	115,113
168,261	679,822
142,507	184,869
3,988	-
9,465,461	35,000
<u>19,515,411</u>	<u>-</u>
<u>47,336,014</u>	<u>9,536,994</u>
15,926,342	173,175
<u>110,322,718</u>	<u>10,514,929</u>
<u>126,249,060</u>	<u>10,688,104</u>
<u>173,585,074</u>	<u>20,225,098</u>
436,654	-
<u>436,654</u>	<u>-</u>
1,142,145	307,103
1,716,580	-
297,089	50,793
2,936	627
2,713,417	-
39,028	-
123,277	15,493
25,062	-
41,705	-
-	599,272
1,188,822	-
6,015,000	-
<u>13,305,061</u>	<u>973,288</u>
77,275,000	-
4,272,165	-
247,861	52,910
21,621	-
<u>3,905,213</u>	<u>-</u>
<u>85,721,860</u>	<u>52,910</u>
<u>99,026,921</u>	<u>1,026,198</u>
60,853,934	10,688,104
14,140,873	8,510,796
<u>\$ 74,994,807</u>	<u>\$ 19,198,900</u>

CITY OF VICTORIA, TEXAS

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

PROPRIETARY FUNDS

For the year ended September 30, 2014

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 24,972,789	\$ 4,508,157	\$ 395,088
Miscellaneous	178,475	535,626	-
Total operating revenues	<u>25,151,264</u>	<u>5,043,783</u>	<u>395,088</u>
OPERATING EXPENSES			
Personnel	5,273,007	1,175,470	264,572
Materials and supplies	1,289,927	312,460	25,900
Maintenance	876,234	24,519	61,389
Heat, lights and power	1,495,788	16,987	161,678
Reinsurance premiums	-	-	-
Miscellaneous services	1,175,635	1,134,950	55,280
Contractual services	549,033	250,077	32,868
Computer services	581,973	33,011	10,969
Court costs, judgments and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Tipping fees	-	758,182	-
Landfill closure and postclosure care cost	-	166,022	-
Depreciation	6,180,101	339,220	302,245
Total operating expenses	<u>17,421,698</u>	<u>4,210,898</u>	<u>914,901</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	7,729,566	832,885	(519,813)
NONOPERATING REVENUES (EXPENSES)			
Investment income	28,953	19,333	2,648
Interest and fiscal charges	(3,124,039)	-	-
Gain (loss) on disposition of capital assets	(7,625)	(1,612)	(8,885)
Net nonoperating revenues (expenses)	<u>(3,102,711)</u>	<u>17,721</u>	<u>(6,237)</u>
Income before contributions and transfers	4,626,855	850,606	(526,050)
Contributions and transfers			
Capital contributions	1,374,311	-	-
Transfers in	-	-	480,000
Transfers out	(2,477,200)	(571,860)	(19,800)
Total contributions and transfers	<u>(1,102,889)</u>	<u>(571,860)</u>	<u>460,200</u>
Change in net position	3,523,966	278,746	(65,850)
Total net position at beginning of year, as restated	<u>60,267,697</u>	<u>4,924,584</u>	<u>6,065,664</u>
Total net position at end of year	<u>\$ 63,791,663</u>	<u>\$ 5,203,330</u>	<u>\$ 5,999,814</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 29,876,034	\$ 15,139,772
714,101	124,055
30,590,135	15,263,827
6,713,049	1,227,497
1,628,287	1,865,099
962,142	219,461
1,674,453	30,239
-	984,981
2,365,865	761,702
831,978	1,519,914
625,953	60,120
-	10,836
-	5,126,421
-	13,894
758,182	-
166,022	-
6,821,566	2,533,784
22,547,497	14,353,948
8,042,638	909,879
50,934	18,388
(3,124,039)	-
(18,122)	(111,025)
(3,091,227)	(92,637)
4,951,411	817,242
1,374,311	-
480,000	9,877
(3,068,860)	-
(1,214,549)	9,877
3,736,862	827,119
71,257,945	18,371,781
\$ 74,994,807	\$ 19,198,900

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2014

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 24,990,041	\$ 5,227,739	\$ 396,225
Cash paid to suppliers for goods and services	(6,157,105)	(2,992,046)	(279,453)
Cash paid to employees for services	(5,235,741)	(1,193,305)	(266,026)
Net cash provided (used) by operating activities	<u>13,597,195</u>	<u>1,042,388</u>	<u>(149,254)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	-	-	9,154
Borrowings from (to) other funds	44,325	18,242	(37,256)
Borrowings from (to) component unit	-	665	-
Transfers in from other funds	-	-	480,000
Transfers out to other funds	(2,477,200)	(571,860)	(19,800)
Net cash provided (used) by noncapital financing activities	<u>(2,432,875)</u>	<u>(552,953)</u>	<u>432,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(9,891,495)	(37,346)	(816,786)
Proceeds from capital grants and contributions	1,374,311	-	-
Proceeds from sale of capital assets	-	-	658
Proceeds from issuance of revenue bonds	21,776,968	-	-
Principal paid on revenue bonds	(5,170,000)	-	-
Interest paid on revenue bonds	(3,091,775)	-	-
Net cash provided (used) by capital and related financing activities	<u>4,998,009</u>	<u>(37,346)</u>	<u>(816,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(28,947,656)	(18,492,399)	(2,900,000)
Proceeds from sales and maturities of investments	12,999,708	17,869,795	2,099,760
Investment income	28,953	19,333	2,648
Net cash provided (used) by investing activities	<u>(15,918,995)</u>	<u>(603,271)</u>	<u>(797,592)</u>
Net increase (decrease) in cash and cash equivalents	243,334	(151,182)	(1,330,876)
Cash and cash equivalents at beginning of year	<u>10,800,530</u>	<u>4,040,248</u>	<u>2,052,639</u>
Cash and cash equivalents at end of year	<u>\$ 11,043,864</u>	<u>\$ 3,889,066</u>	<u>\$ 721,763</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 30,614,005	\$ 14,769,734
(9,428,604)	(10,688,958)
<u>(6,695,072)</u>	<u>(1,223,982)</u>
14,490,329	2,856,794
9,154	-
25,311	-
665	-
480,000	9,877
<u>(3,068,860)</u>	<u>-</u>
<u>(2,553,730)</u>	<u>9,877</u>
(10,745,627)	(2,776,598)
1,374,311	-
658	110,449
21,776,968	-
(5,170,000)	-
<u>(3,091,775)</u>	<u>-</u>
<u>4,144,535</u>	<u>(2,666,149)</u>
(50,340,055)	(5,460,696)
32,969,263	6,640,323
50,934	19,957
<u>(17,319,858)</u>	<u>1,199,584</u>
(1,238,724)	1,400,106
<u>16,893,417</u>	<u>2,911,699</u>
<u>\$ 15,654,693</u>	<u>\$ 4,311,805</u>

(continued)

CITY OF VICTORIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2014

	Business-type Activities		
	Water and Wastewater	Environmental Services	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 7,729,566	\$ 832,885	\$ (519,813)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	6,180,101	339,220	302,245
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(162,300)	17,951	-
(Increase) decrease in other receivables	(197)	166,005	983
(Increase) decrease in inventory	15,084	-	-
(Increase) decrease in returned checks	1,274	-	154
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	(203,599)	7,044	68,631
Increase (decrease) in accrued expenses	45,460	369	1,806
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	3,852	(7,393)	(3,260)
Increase (decrease) in due to other governments	-	1,624	-
Increase (decrease) in claims payable	-	-	-
Increase (decrease) in other post employment benefits payable	(12,046)	(10,811)	-
Increase (decrease) in landfill closure and postclosure care cost	-	(304,506)	-
Total adjustments	<u>5,867,629</u>	<u>209,503</u>	<u>370,559</u>
Net cash provided (used) by operating activities	<u>\$ 13,597,195</u>	<u>\$ 1,042,388</u>	<u>\$ (149,254)</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 4,256,032	\$ 1,422,856	\$ 510,344
Restricted			
Cash and cash equivalents	<u>6,787,832</u>	<u>2,466,210</u>	<u>211,419</u>
Total	<u>\$ 11,043,864</u>	<u>\$ 3,889,066</u>	<u>\$ 721,763</u>

The accompanying notes are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 8,042,638	\$ 909,879
6,821,566	2,533,784
(144,349)	-
166,791	30,991
15,084	4,424
1,428	488
-	(525,572)
(127,924)	(100,247)
47,635	1,762
-	11,170
(6,801)	1,753
1,624	-
-	(11,638)
(22,857)	-
(304,506)	-
<u>6,447,691</u>	<u>1,946,915</u>
<u>\$ 14,490,329</u>	<u>\$ 2,856,794</u>
\$ 6,189,232	\$ 4,276,805
<u>9,465,461</u>	<u>35,000</u>
<u>\$ 15,654,693</u>	<u>\$ 4,311,805</u>

(concluded)

CITY OF VICTORIA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 274,093
Receivables (net)	<u>-</u>	<u>500</u>
Total assets	<u>-</u>	<u>274,593</u>
LIABILITIES		
Liabilities		
Accounts payable	-	1,901
Due to other agencies	<u>-</u>	<u>272,692</u>
Total liabilities	<u>-</u>	<u>274,593</u>
NET POSITION		
Unrestricted	<u>\$ -</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, 2014

	Private Purpose Trust
ADDITIONS	
Miscellaneous	
Participants' contributions	\$ 19,497
DEDUCTIONS	
General government	
Participants' withdrawals	43,120
Changes in net position	(23,623)
Net position - beginning	23,623
Net position - ending	\$ -

The accompanying notes are an integral part of this statement.

CITY OF VICTORIA, TEXAS
STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2014

	Sales Tax Development Corporation	Victoria Recreation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,041,103	\$ 9,652	\$ 7,050,755
Investments	9,196,923	-	9,196,923
Receivables (net)			
Sales taxes	749,163	-	749,163
Other	3,087	-	3,087
Due from primary government	25,062	-	25,062
Total current assets	<u>17,015,338</u>	<u>9,652</u>	<u>17,024,990</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	4,135,548	-	4,135,548
Buildings, improvements, and equipment (net)	6,683,548	152,827	6,836,375
Total noncurrent assets	<u>10,819,096</u>	<u>152,827</u>	<u>10,971,923</u>
Total assets	<u>27,834,434</u>	<u>162,479</u>	<u>27,996,913</u>
LIABILITIES			
Current liabilities			
Accounts payable	249,013	-	249,013
Due to primary government	40,768	-	40,768
Accrued interest payable	36,630	-	36,630
Current portion of long-term obligations	945,000	-	945,000
Noncurrent liabilities			
Noncurrent portion of long-term obligations	2,058,188	-	2,058,188
Total liabilities	<u>3,329,599</u>	<u>-</u>	<u>3,329,599</u>
NET POSITION			
Net investment in capital assets	7,815,908	152,827	7,968,735
Unrestricted	16,688,927	9,652	16,698,579
Total net position	<u>\$ 24,504,835</u>	<u>\$ 162,479</u>	<u>\$ 24,667,314</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, 2014

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Sales Tax Development Corporation	\$ 3,173,544	\$ -	\$ -	\$ -
Victoria Recreation	48,152	29,270	-	-
Total component units	\$ 3,221,696	\$ 29,270	\$ -	\$ -

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Changes
in Net Position

Component Units		
Sales Tax Development Corporation	Victoria Recreation	Total
\$ (3,173,544)	\$ -	\$ (3,173,544)
-	(18,882)	(18,882)
(3,173,544)	(18,882)	(3,192,426)
8,871,260	-	8,871,260
30,924	-	30,924
227,501	-	227,501
9,129,685	-	9,129,685
5,956,141	(18,882)	5,937,259
18,548,694	181,361	18,730,055
\$ 24,504,835	\$ 162,479	\$ 24,667,314

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Excluded from the reporting entity:

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

Advisory Boards and Commissions - The City Council uses an extensive network of advisory boards and commissions in order to ensure public input to the City's decision-making process. These boards and commissions are: Board of Adjustments and Appeals, 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 supplemental appropriations made during the year. The effect of budget supplements was to increase appropriations for the General Fund in the amount of \$250,000.
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, 2014, 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 (ordinance or resolution) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A two-thirds majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

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

Encumbered amounts of otherwise unassigned resources will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54. Encumbrances of already restricted, committed, or assigned resources are not reported in the governmental financial statements.

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 23.5 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 23.5 percent range, the City will replenish shortages/deficiencies. Should unassigned fund balance of the General Fund ever exceed the maximum 23.5 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 departmental level in the General Fund and at the fund level in the Debt Service Fund and Capital Project Funds. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2013-2014.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Non-departmental	\$ 1,441,731	\$ 1,457,253	\$ 15,522
Development svcs. admin.	178,470	178,961	491
Transfers out	146,719	1,447,732	1,301,013
Debt Service Fund	9,519,291	9,530,175	10,884
Nonmajor Funds			
Capital Const. Fund (3035)			
Transfers out	-	7,692	7,692
Capital Const. Fund (3036)			
Transfers out	-	720,275	720,275

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (Continued)Encumbrances

Encumbrances are reported in the financial statements as restricted committed, or assigned for specific purposes in the governmental funds. As of September 30, 2014, encumbrances included in governmental fund balances are as follows:

<u>Fund</u>	<u>Encumbrances Included in:</u>	
	<u>Restricted Fund Balance</u>	<u>Committed Fund Balance</u>
General Fund	\$ -	\$ 2,689,089
Capital Const. Fund (3037)	4,278,125	-
Nonmajor Funds		
Capital Const. Fund (3035)	1,140,957	-
Motel Tax Fund	233,618	-
Forfeiture Fund	3,323	-
Convention and Visitors Bureau	166,250	-
Total Encumbrances	<u>\$ 5,822,273</u>	<u>\$ 2,689,089</u>

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2014, 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	\$ 10,437,810	29
TexPool Prime Pool	513,930	29
Money Market Fund	7,209,643	29
Municipal Bonds	9,512,223	332
Commercial Paper	54,327,388	168
Certificates of Deposits	13,657,498	556
Total	<u>\$ 95,658,492</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.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. 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, 2014, 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.

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, 2014, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2014 consist of the following:

	General	Debt Service	Water and Wastewater	Environmental Services	Nonmajor and Other Funds	Total
Gross receivables:						
Accounts	\$ -	\$ -	\$ 2,392,064	\$ 241,530	\$ -	\$ 2,633,594
Ad valorem taxes	1,869,539	712,611	-	-	-	2,582,150
Franchise taxes	698,874	-	-	-	-	698,874
Sales taxes	1,498,326	-	-	-	-	1,498,326
Weedy lots	2,424,291	-	-	-	-	2,424,291
Ambulance	1,503,262	-	-	-	-	1,503,262
Fines	731,555	-	-	-	-	731,555
Other	300,658	-	21,086	52,059	652,436	1,026,239
Total gross receivables	9,026,505	712,611	2,413,150	293,589	652,436	13,098,291
Less: allowances	3,091,809	35,630	130,728	28,798	-	3,286,965
Total net receivables	<u>\$ 5,934,696</u>	<u>\$ 676,981</u>	<u>\$ 2,282,422</u>	<u>\$ 264,791</u>	<u>\$ 652,436</u>	<u>\$ 9,811,326</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, 2014, was \$0.5996 per \$100, which means that the City has a tax margin of \$1.4004 per \$100 and could raise up to \$52,322,061 on \$3,736,222,546 before the limit is reached.

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:

	Unavailable	Unearned	Total
General Fund			
Ad valorem taxes receivable	\$ 1,475,695	\$ -	\$ 1,475,695
Weedy lots	370,410	-	370,410
Ambulance	1,352,936	-	1,352,936
Fines	365,778	-	365,778
Franchise fees	-	767,450	767,450
Debt Service Fund			
Ad valorem taxes receivable	676,981	-	676,981
Nonmajor Funds			
Grants	-	194,283	194,283
	<u>\$ 4,241,800</u>	<u>\$ 961,733</u>	<u>\$ 5,203,533</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, 2014 and 2013, 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, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 4,361,837	\$ -	\$ -	\$ 4,361,837
Construction in progress	<u>10,735,256</u>	<u>7,453,979</u>	<u>3,084,445</u>	<u>15,104,790</u>
Total capital assets not being depreciated	<u>15,097,093</u>	<u>7,453,979</u>	<u>3,084,445</u>	<u>19,466,627</u>
Capital assets, being depreciated				
Machinery and equipment	50,590,439	3,824,512	1,361,474	53,053,477
Buildings	15,360,158	432,065	6,290	15,785,933
Improvements other than buildings	6,509,048	258,235	106,309	6,660,974
Infrastructure	<u>244,005,319</u>	<u>3,063,445</u>	<u>-</u>	<u>247,068,764</u>
Total capital assets being depreciated	<u>316,464,964</u>	<u>7,578,257</u>	<u>1,474,073</u>	<u>322,569,148</u>
Less accumulated depreciation for				
Machinery and equipment	32,269,220	5,207,889	1,132,068	36,345,041
Buildings	6,071,717	939,232	1,219	7,009,730
Improvements other than buildings	3,305,031	323,962	19,959	3,609,034
Infrastructure	<u>114,407,880</u>	<u>11,363,995</u>	<u>-</u>	<u>125,771,875</u>
Total accumulated depreciation	<u>156,053,848</u>	<u>17,835,078</u>	<u>1,153,246</u>	<u>172,735,680</u>
Total capital assets being depreciated, net	<u>160,411,116</u>	<u>(10,256,821)</u>	<u>320,827</u>	<u>149,833,468</u>
Governmental activities capital assets, net	<u>\$175,508,209</u>	<u>\$ (2,802,842)</u>	<u>\$ 3,405,272</u>	<u>\$169,300,095</u>

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 4,377,944	\$ 12,691	\$ -	\$ 4,390,635
Construction in progress	5,571,993	8,236,638	2,272,924	11,535,707
Total capital assets not being depreciated	<u>9,949,937</u>	<u>8,249,329</u>	<u>2,272,924</u>	<u>15,926,342</u>
Capital assets, being depreciated				
Machinery and equipment	4,996,494	619,622	71,411	5,544,705
Buildings	43,092,868	685,035	25,675	43,752,228
Improvements other than buildings	2,082,224	84,249	18,466	2,148,007
Infrastructure	1,793,382	-	-	1,793,382
Water and wastewater distribution system	147,802,645	4,149,299	-	151,951,944
Total capital assets being depreciated	<u>199,767,613</u>	<u>5,538,205</u>	<u>115,552</u>	<u>205,190,266</u>
Less accumulated depreciation for				
Machinery and equipment	3,020,346	510,665	66,409	3,464,602
Buildings	15,752,909	1,329,297	13,509	17,068,697
Improvements other than buildings	1,130,304	133,653	16,853	1,247,104
Infrastructure	571,212	132,874	-	704,086
Water and wastewater distribution system	67,667,982	4,715,077	-	72,383,059
Total accumulated depreciation	<u>88,142,753</u>	<u>6,821,566</u>	<u>96,771</u>	<u>94,867,548</u>
Total capital assets being depreciated, net	<u>111,624,860</u>	<u>(1,283,361)</u>	<u>18,781</u>	<u>110,322,718</u>
Business-type activities capital assets, net	<u>\$121,574,797</u>	<u>\$ 6,965,968</u>	<u>\$ 2,291,705</u>	<u>\$126,249,060</u>

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

Governmental activities

General government	\$ 171,691
Public safety	1,390,828
Development	12,893,907
Building services	47,864
Recreation	797,003
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,533,785</u>
Total depreciation expense - governmental activities	<u>\$ 17,835,078</u>

Business-type activities

Water/wastewater	\$ 6,180,101
Environmental services	339,220
Other	302,245
Total depreciation expense - business-type activities	<u>\$ 6,821,566</u>

NOTE 6: CAPITAL ASSETS - (Continued)**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	\$ 4,160,546	\$ -	\$ 232,302	\$ 3,928,244
Construction in progress	850,525	1,070,864	1,714,085	207,304
Total capital assets not being depreciated	<u>5,011,071</u>	<u>1,070,864</u>	<u>1,946,387</u>	<u>4,135,548</u>
Capital assets, being depreciated				
Improvements other than buildings	9,913,733	-	-	9,913,733
Infrastructure	-	1,714,085	-	1,714,085
Total capital assets being depreciated	<u>9,913,733</u>	<u>1,714,085</u>	<u>-</u>	<u>11,627,818</u>
Less accumulated depreciation for				
Improvements other than buildings	<u>3,952,897</u>	<u>991,373</u>	<u>-</u>	<u>4,944,270</u>
Total accumulated depreciation	<u>3,952,897</u>	<u>991,373</u>	<u>-</u>	<u>4,944,270</u>
Total capital assets being depreciated, net	<u>5,960,836</u>	<u>(991,373)</u>	<u>-</u>	<u>4,969,463</u>
Sales Tax Development Corporation capital assets, net	<u>10,971,907</u>	<u>1,793,576</u>	<u>1,946,387</u>	<u>10,819,096</u>
Victoria Recreation				
Capital assets, being depreciated				
Machinery and equipment	\$ 38,352	\$ -	\$ -	\$ 38,352
Improvements other than buildings	461,588	-	-	461,588
Total capital assets being depreciated	<u>499,940</u>	<u>-</u>	<u>-</u>	<u>499,940</u>
Less accumulated depreciation for				
Machinery and equipment	38,352	-	-	38,352
Improvements other than buildings	<u>285,609</u>	<u>23,152</u>	<u>-</u>	<u>308,761</u>
Total accumulated depreciation	<u>323,961</u>	<u>23,152</u>	<u>-</u>	<u>347,113</u>
Total capital assets being depreciated, net	<u>175,979</u>	<u>(23,152)</u>	<u>-</u>	<u>152,827</u>
Victoria Recreation capital assets, net	<u>175,979</u>	<u>(23,152)</u>	<u>-</u>	<u>152,827</u>
Discretely presented component units capital assets, net	<u>\$ 11,147,886</u>	<u>\$ 1,770,424</u>	<u>\$ 1,946,387</u>	<u>\$ 10,971,923</u>

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:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

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 Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

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

Contributions Required and Contributions Made			
Year-end September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 4,717,330	100%	\$ -
2013	4,674,029	100%	-
2012	4,398,292	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	Actuarial Valuation Information		
	12/31/11	12/31/12	12/31/13
Actuarial cost method	projected unit credit	projected unit credit	Entry age normal
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.2 years; closed period	25.1 years; closed period	25.0 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, 2013, the most recent actuarial valuation date, 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)
12/31/13	\$ 125,389,596	\$ 168,792,867	74.29%	\$ 43,403,271	\$ 26,316,430	164.93%

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 2014, 2013, and 2012 were \$18,679, \$18,412, and \$17,650, 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

Monthly premiums paid by retirees vary depending on date of retirement, longevity, age, whether a health risk assessment was completed, type of plan chosen and Medicare coverage. Retirees, retired as of 12/31/08 (not yet age 65) with 30 years or more of service and with Medicare coverage, pay a monthly health premium of PPO-\$72/\$74 or HDHP-\$65/\$67, without Medicare, PPO-\$144/\$148 or HDHP-\$130/\$134; with 20 to 29 years of service and with Medicare coverage pay a monthly health premium of PPO-\$144/\$148 or HDHP-\$130/\$134, without Medicare, PPO-\$288/\$296 or HDHP-\$260/\$268; with less than 20 years of service and with Medicare coverage pay a monthly health premium of PPO-\$360/\$370 or HDHP-\$325/\$335, without Medicare PPO-\$720/\$740 or HDHP-\$650/\$670.

Retirees, retired after 1/01/09 (not yet age 65) with 20 years or more of service and with Medicare coverage, pay a monthly health premium of PPO-\$88/\$98 or HDHP-\$53/\$63, without Medicare, PPO-\$176/\$196 or HDHP-\$106/\$126; with 10 to 19 years of service and with Medicare coverage pay a monthly health premium of PPO-\$156/\$166 or HDHP-\$121/\$131, without Medicare, PPO-\$312/\$332 or HDHP-\$242/\$262; with less than 10 years of service and with Medicare coverage pay a monthly health premium of PPO-\$360/\$370 or HDHP-\$325/\$335, without Medicare PPO-\$380/\$400 or HDHP-\$310/\$330.

Retirees, over age 65, were placed in a Retiree Exchange System and a Health Reimbursement Account for eligible retirees was established in fiscal year 2014. The premiums for each person are dependent on age, gender, and type of plan elected.

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

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

Other postemployment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as a payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Health Plan Fund. Payments for health insurance are shown as an expense in the Employee Health Plan Fund. The cost of providing these benefits for fiscal years 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Retirees	153	170
Active employees	613	610
Payments to Employee Health Plan Fund	\$ 5,808,575	\$ 6,259,274

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 2014 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>
2014	\$ 581,558	109.79%	\$ 128,372
2013	558,603	78.69%	185,324
2012	593,714	112.22%	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)
9/30/2014	\$ -	\$ 9,849,616	\$ 9,849,616	0.00%	\$ 27,092,011	36.36%

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 \$532,574 and \$477,563 for the fiscal years ended September 30, 2014 and 2013, 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, 2014 and 2013, the City paid health claims of \$4,962,746 and \$5,380,302. The fund incurred a net loss for the year of \$24,613 compared to a net income of \$123,441 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 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
Fiscal Year 2014	364,289	4,962,746	4,946,400	380,635

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 \$218,637 and \$246,621, for the fiscal years 2013-2014 and 2012-2013, 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 \$59,875 and (\$24,315) in the fiscal years 2014 and 2013, 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 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
Fiscal Year 2014	246,621	163,675	191,659	218,637

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 2014 and 2013, total contributions from the various City funds totaled \$468,030 and \$468,030, respectively. During the fiscal years 2014 and 2013, the City paid \$452,407 and \$406,381 in reinsurance premiums and \$10,836 and \$9,329 in legal fees and claims. In addition to this, the fund incurred a net loss of \$142,270, compared to a net loss of \$57,491 for the prior year. Full insurance coverage was in effect for the year ended September 30, 2014. 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 2014. 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, 2014, 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	\$ 47,385,000	\$ 9,095,000	\$ 2,400,000	\$ 54,080,000	\$ 2,595,000
General obligation bonds	46,370,000	-	3,010,000	43,360,000	3,130,000
Less deferred amounts:					
Issuance premiums	<u>2,741,198</u>	<u>-</u>	<u>249,157</u>	<u>2,492,041</u>	<u>-</u>
Net bonds and certificates payable	96,496,198	9,095,000	5,659,157	99,932,041	5,725,000
Other post employment benefits payable	140,846	-	34,095	106,751	-
Compensated absences	<u>1,230,306</u>	<u>1,691,429</u>	<u>1,691,262</u>	<u>1,230,473</u>	<u>14,404</u>
Total governmental activity long-term liabilities	<u>\$ 97,867,350</u>	<u>\$ 10,786,429</u>	<u>\$ 7,384,514</u>	<u>\$ 101,269,265</u>	<u>\$ 5,739,404</u>
Business-type activities					
Bonds payable					
Revenue bonds	\$ 69,035,000	\$ 19,425,000	\$ 5,170,000	\$ 83,290,000	\$ 6,015,000
Less deferred amounts:					
Issuance premiums	<u>2,167,055</u>	<u>2,351,968</u>	<u>246,858</u>	<u>4,272,165</u>	<u>-</u>
Net bonds payable	71,202,055	21,776,968	5,416,858	87,562,165	6,015,000
Estimated landfill closure and postclosure care cost	6,923,136	166,022	470,528	6,618,630	2,713,417
Other post employment benefits payable	44,478	-	22,857	21,621	-
Compensated absences	<u>257,598</u>	<u>333,328</u>	<u>340,129</u>	<u>250,797</u>	<u>2,936</u>
Total business-type activity long-term liabilities	<u>\$ 78,427,267</u>	<u>\$ 22,276,318</u>	<u>\$ 6,250,372</u>	<u>\$ 94,453,213</u>	<u>\$ 8,731,353</u>
Discretely presented component units					
Sales Tax Development Corporation					
Bonds payable					
Revenue bonds	\$ 3,860,000	\$ -	\$ 905,000	\$ 2,955,000	\$ 945,000
Less deferred amounts:					
Issuance premiums	<u>69,605</u>	<u>-</u>	<u>21,417</u>	<u>48,188</u>	<u>-</u>
Net bonds payable	<u>3,929,605</u>	<u>-</u>	<u>926,417</u>	<u>3,003,188</u>	<u>945,000</u>
Total discretely presented component units	<u>\$ 3,929,605</u>	<u>\$ -</u>	<u>\$ 926,417</u>	<u>\$ 3,003,188</u>	<u>\$ 945,000</u>

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

Bonds and certificates payable at September 30, 2014, are comprised of the following individual issues:

\$14,120,000 2005 Certificates of Obligation due in annual installments ranging from \$200,000 to \$1,070,000 through August 15, 2026, interest varying between 3.00% and 5.00%.	\$ 1,515,000
\$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%.	7,090,000
\$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%.	8,355,000
\$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%.	1,850,000
\$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%.	6,295,000
\$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%.	9,365,000
\$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%.	3,230,000
\$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%.	3,515,000
\$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%.	8,840,000
\$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%.	15,630,000
\$9,095,000 2013 Certificates of Obligation due in annual installments ranging from \$325,000 to \$455,000 through August 15, 2025; interest varying between 3.00% and 4.49%.	<u>8,750,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 97,440,000</u>

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

The City generally issues general obligation certificates and bonds to provide funds for the construction of improvements to various City infrastructures and for the payment of related contractual obligations for professional services. The proceeds from the 2011 Pass-Through Toll Revenue and Limited Tax Bonds will be used for the purpose of paying the City's obligations arising under the agreement for improvements to the State Highway Loop 463 and costs associated with issuing the bonds. Payments on these bonds will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over an eleven year period beginning with 2014. By the terms of the 2009B "Build America Bonds", the U.S. Treasury Department will offset the cost of the bonds by subsidizing an average of \$495,000 in annual bond interest cost.

Annual debt service requirements to maturity for certificates of obligation and general obligation bonds are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2015	\$ 5,725,000	\$ 3,957,236	\$ 9,682,236
2016	6,020,000	3,783,136	9,803,136
2017	6,310,000	3,612,636	9,922,636
2018	6,895,000	3,441,710	10,336,710
2019	7,100,000	3,194,089	10,294,089
2020-2024	35,800,000	11,718,171	47,518,171
2025-2029	22,650,000	4,993,912	27,643,912
2030-2033	6,940,000	624,515	7,564,515
Total	<u>\$ 97,440,000</u>	<u>\$ 35,325,405</u>	<u>\$ 132,765,405</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, \$53,537 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%.	\$ 11,845,000
\$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%.	12,990,000
\$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%.	5,305,000
\$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%.	18,715,000
\$7,550,000 2010 Utility System Revenue Bonds, Series 2010 due in annual installments ranging from \$270,000 to \$530,000 through December 1, 2031; interest varying between 2.00% and 4.00%.	6,725,000
\$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%.	8,285,000
\$19,425,000 2014 Utility System Revenue Bonds, Series 2014 due in annual installments ranging from \$625,000 to \$1,430,000 through December 1, 2034; interest varying between 2.00% and 5.00%.	<u>19,425,000</u>
Total Revenue Bonds	<u><u>\$ 83,290,000</u></u>

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

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2015	\$ 6,015,000	\$ 3,453,162	\$ 9,468,162
2016	6,265,000	3,209,657	9,474,657
2017	6,515,000	2,946,932	9,461,932
2018	6,800,000	2,669,657	9,469,657
2019	7,095,000	2,366,017	9,461,017
2020-2024	27,240,000	7,804,031	35,044,031
2025-2029	14,025,000	3,721,226	17,746,226
2030-2034	7,905,000	1,241,178	9,146,178
2035	1,430,000	35,750	1,465,750
Total	<u><u>\$ 83,290,000</u></u>	<u><u>\$ 27,447,610</u></u>	<u><u>\$ 110,737,610</u></u>

NOTE 12: LONG-TERM DEBT - (Continued)

C. Revenue Bonds - Primary Government - (Continued)

The revenue bond debt agreements contain certain requirements regarding the establishment and funding of an interest and sinking fund which is required to be funded only after net revenues for any fiscal year are less than 1.35 times the average annual debt service requirements of all outstanding parity obligations. In addition, the agreements provide that the City maintain a coverage ratio of at least 1.25 times the average annual debt service or 1.10 times the maximum annual debt service.

The City has pledged future water customer revenues, net of specified operating expenses to repay \$83.3 million in utility system revenue bonds issued. Proceeds from the bonds provided financing for improvements to the City's utility system. The bonds are payable from Water and Wastewater Fund net revenues and are payable through 2035. Average annual principal and interest payments on the bonds (\$4,631,141) are expected to require approximately 33 percent of net revenues. Principal and interest paid for the current year and total net revenues were \$7,987,769 and \$13,938,620, respectively. The total principal and interest remaining to be paid on the bonds is \$110,737,610.

The City complied in all aspects of the above requirements as of September 30, 2014.

D. Revenue Bonds - Sales Tax Development Corporation

Revenue bonds payable are comprised of the following individual issue:

\$8,395,000 2007 Sales Tax Revenue Bonds Series 2007 due in annual installments ranging from \$945,000 to \$1,025,000 through 2017; interest at 4.25%. \$ 2,955,000

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
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>\$ 2,955,000</u>	<u>\$ 254,576</u>	<u>\$ 3,209,576</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, 2014.

E. Rebatable Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The rebatable arbitrage liability is \$0 at September 30, 2014.

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, 2014, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 531,755
Nonmajor Governmental	General	57,455
	Nonmajor Governmental	263,802
Nonmajor Business-type	Nonmajor Governmental	168,261
Internal Service	General	540,964
	Water and Wastewater	89,250
	Environmental Services	20,449
	Nonmajor Governmental	89
	Nonmajor Business-type	13,578
	Other	<u>15,493</u>
		<u>\$ 1,701,096</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	Debt Service	Capital Const. (3037)	Nonmajor Govt.	Nonmajor Bus.-type	Internal Service	
General	\$ -	\$ -	\$ -	\$ 1,437,855	\$ -	\$ 9,877	\$ 1,447,732
Nonmajor Govt.	-	720,275	7,692	750,000	480,000	-	1,957,967
Water and Wwater.	2,477,200	-	-	-	-	-	2,477,200
Environmental Svcs.	571,860	-	-	-	-	-	571,860
Nonmajor Bus.-type	19,800	-	-	-	-	-	19,800
	<u>\$ 3,068,860</u>	<u>\$ 720,275</u>	<u>\$ 7,692</u>	<u>\$ 2,187,855</u>	<u>\$ 480,000</u>	<u>\$ 9,877</u>	<u>\$ 6,474,559</u>

NOTE 14: RELATED PARTY TRANSACTIONS

During fiscal year 2014, the Sales Tax Development Corporation, a discretely presented component unit of the City, contributed \$1,930,161 to the City. The contributions consisted of \$1,889,393 to the Water and Wastewater Fund and \$40,768 to the Texas Water Development Board (TWDB) Study Fund (a nonmajor special revenue fund) during fiscal year 2014. The City's Capital Construction Fund (3037) and the Water and Wastewater Fund contributed \$197,498 and \$515,082, respectively, to the Sales Tax Development Corporation during fiscal year 2014.

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, 2014, \$84,125,000 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, 2014, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17: CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the useful life of the landfill. The estimated remaining useful life of the entire landfill at September 30, 2014, is 20 – 23 years.

As of September 30, 2014, the City is in compliance with state and federal laws and regulations concerning "financial assurances". The City currently has a contract with Republic Waste Services of Texas, Ltd., which is currently operating the landfill for the City. As per the contract agreement, Republic Waste Services of Texas, Ltd. "will be responsible for completing, at its cost, closure and post closure of any area of the landfill in which new waste disposal cells are constructed by operator and which is filled to the final grades authorized in the permit by operator during the operating term." The City will be responsible for prior existing cells, and has established a closure/post-closure fund to accommodate those future liabilities. The total permitted landfill acres is 135.6. The landfill acres allocation for closure and post-closure liability responsibility is as follows:

- City of Victoria – 72.7 acres:
 - 46.6 acres (100%) will be "capped" (final cover) in fiscal year 2015:
 - Closure cost liability, as of September 30, 2014: \$2,713,417 (will be paid off in fiscal year 2015)
 - Post-closure liability, as of September 30, 2014: \$1,884,310
 - 26.1 acres (50%) has approximately 10 years useful life left.
 - Closure cost liability, as of September 30, 2014: \$1,293,058
 - Post-closure liability, as of September 30, 2014: \$727,845
- Republic Waste Services of Texas, Ltd. - 62.9 acres, responsible for closure and post-closure cost.

The City's estimated liability for landfill closure and post-closure care costs has a balance of \$6,618,630 and \$6,923,136, as of September 30, 2014 and 2013, determined by calculating the lapsed portion of the landfill's life. In fiscal year 2014, the City started capping 46.6 acres at an estimated cost of \$3.2 million and is anticipating completing the capping in April of 2015. It is estimated that an additional \$1.1 million will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the City's landfill acres is expected to be filled to capacity. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 18: LITIGATION

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

NOTE 19: CONDUIT DEBT OBLIGATIONS

In August 2004, the Housing Finance Development Corporation of Central Texas (HFDCCT) financed approximately \$5,100,000 of improvements and extensions to the Copperfield Village facilities located on East Larkspur Street in Victoria, Texas, which is owned by the Lutheran Social Services of the South, Inc. In August of 2012, the HFDCCT obtained consent of the Victoria City Council and issued \$13.16 million of Revenue Bonds, Series 2012, to finance facility improvements and additions and refinance existing debt of the Lutheran Social Services. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal, interest, or any redemption premium of these bonds.

NOTE 20: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2014:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Inventory	\$ 268,964	\$ -	\$ -	\$ -	\$ 268,964
Outstanding encumbrances	-	-	2,689,089	-	2,689,089
Unassigned	-	-	-	15,330,199	15,330,199
Debt Service Fund					
Retirement of long-term debt	-	1,091,077	-	-	1,091,077
Capital Construction Fund (3037)					
Various capital projects	-	6,578,597	-	-	6,578,597
Nonmajor Governmental					
City parks	-	25,614	-	-	25,614
Arts, tourism and conventions	-	1,880,440	-	-	1,880,440
Police department	-	163,278	-	-	163,278
Emergency management	-	62,210	-	-	62,210
Municipal court security and technology	-	94,264	-	-	94,264
Various capital projects	-	1,987,772	-	-	1,987,772
	<u>\$ 268,964</u>	<u>\$ 11,883,252</u>	<u>\$ 2,689,089</u>	<u>\$ 15,330,199</u>	<u>\$ 30,171,504</u>

NOTE 21: FUTURE FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement which will become effective in future years:

Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement will become effective for the City in fiscal year 2015.

Management has not yet determined the effect of this statement on the financial statements; however, the impact is expected to be significant as they will now reflect a previously unrecorded liability. The City also expects the largest deferred inflows and outflows to be pension related.

NOTE 22: SUBSEQUENT EVENTS

In October 2014, the City issued Certificates of Obligation, Series 2014 of \$5,945,000. The certificates are due in annual installments ranging from \$235,000 to \$400,000 through 2034 with interest varying from 2.00% to 4.00%. 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.

NOTE 23: RESTATEMENTS OF BEGINNING BALANCES

The City's business-type activities financial statements for the fiscal year September 30, 2013 have been restated to properly reflect the estimated landfill closure and postclosure care cost liability and unrestricted net position balance for fiscal year ending September 30, 2013. The result of the restatement was to increase the estimated landfill closure and postclosure care cost liability and decrease the unrestricted net position of the business-type activities by \$3,712,895 and \$3,712,895, respectively. Similar adjustments were made to the fund financial statements. The Environmental Services Fund's September 30, 2013 estimated landfill closure and postclosure care cost liability increased by \$3,712,895 and unrestricted net position decreased by \$3,712,895.

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, 2014
With comparative totals for the year ended September 30, 2013

	2014			Variance Positive (Negative)	2013 Actual
	Original Budget	Final Budget	Actual		
REVENUES					
Taxes	\$ 37,099,697	\$ 37,099,697	\$ 37,169,746	\$ 70,049	\$ 35,868,364
Licenses and permits	809,585	809,585	1,134,453	324,868	962,217
Intergovernmental	1,899,000	1,899,000	1,742,790	(156,210)	2,082,186
Charges for services	2,112,200	2,112,200	2,162,871	50,671	2,066,070
Fines and forfeitures	870,900	870,900	1,487,404	616,504	764,295
Investment income	50,000	50,000	85,986	35,986	47,898
Miscellaneous	198,316	198,316	464,884	266,568	300,151
Total revenues	<u>43,039,698</u>	<u>43,039,698</u>	<u>44,248,134</u>	<u>1,208,436</u>	<u>42,091,181</u>
EXPENDITURES					
General government	4,080,498	4,136,662	4,024,111	112,551	3,494,191
Public safety	27,377,800	27,545,131	24,623,723	2,921,408	24,182,916
Development	10,177,181	12,258,696	10,275,761	1,982,935	10,002,357
Building services	648,062	678,022	606,761	71,261	751,312
Recreation	6,291,487	6,538,096	5,912,157	625,939	6,094,785
Total expenditures	<u>48,575,028</u>	<u>51,156,607</u>	<u>45,442,513</u>	<u>5,714,094</u>	<u>44,525,561</u>
Excess (deficiency) of revenues over expenditures	(5,535,330)	(8,116,909)	(1,194,379)	6,922,530	(2,434,380)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,068,860	3,068,860	3,068,860	-	3,041,760
Transfers out	(146,719)	(146,719)	(1,447,732)	(1,301,013)	(1,868,787)
Total other financing sources (uses)	<u>2,922,141</u>	<u>2,922,141</u>	<u>1,621,128</u>	<u>(1,301,013)</u>	<u>1,172,973</u>
Change in fund balance	(2,613,189)	(5,194,768)	426,749	5,621,517	(1,261,407)
Fund balance at beginning of year	<u>17,861,503</u>	<u>17,861,503</u>	<u>17,861,503</u>	<u>-</u>	<u>19,122,910</u>
Fund balance at end of year	<u>\$ 15,248,314</u>	<u>\$ 12,666,735</u>	<u>\$ 18,288,252</u>	<u>\$ 5,621,517</u>	<u>\$ 17,861,503</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, 2014***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)
12/31/2013	\$ 125,389,596	\$ 168,792,867	\$ 43,403,271	74.29%	\$ 26,316,430	164.93%
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%

CITY OF VICTORIA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 HISTORICAL PENSION AND OTHER POSTEMPLOYMENT
 BENEFITS INFORMATION
 September 30, 2014

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
9/30/2014	\$ -	\$ 9,849,616	\$ 9,849,616	0.00%	\$ 27,092,011	36.36%
9/30/2013	-	9,948,933	9,948,933	0.00%	26,302,923	37.82%
9/30/2012	-	9,497,294	9,497,294	0.00%	25,213,612	37.67%
9/30/2011	-	9,417,793	9,417,793	0.00%	26,031,106	36.18%

Actuarial Valuation Information

	9/30/13	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%.

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2: BUDGETARY LEGAL COMPLIANCE

Budgetary compliance is monitored at the departmental level in the General Fund. There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2013-2014.

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Non-departmental	\$ 1,441,731	\$ 1,457,253	\$ 15,522
Development svcs. admin.	178,470	178,961	491
Transfers out	146,719	1,447,732	1,301,013

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

CITY OF VICTORIA, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2014

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,947,999	\$ 2,237,772	\$ 4,185,771
Investments	939,504	-	939,504
Receivables (net)	536,925	-	536,925
Due from other funds	321,258	-	321,258
Due from component unit	40,768	-	40,768
Total assets	<u>\$ 3,786,454</u>	<u>\$ 2,237,772</u>	<u>\$ 6,024,226</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 641,259	\$ -	\$ 641,259
Accrued expenditures	11,199	-	11,199
Due to other funds	713,907	250,000	963,907
Unearned revenue	194,283	-	194,283
Total liabilities	<u>1,560,648</u>	<u>250,000</u>	<u>1,810,648</u>
Fund balances			
Restricted			
City parks	25,614	-	25,614
Arts, tourism and conventions	1,880,440	-	1,880,440
Public safety	225,488	-	225,488
Municipal court	94,264	-	94,264
Various capital projects	-	1,987,772	1,987,772
Total fund balances	<u>2,225,806</u>	<u>1,987,772</u>	<u>4,213,578</u>
Total liabilities and fund balances	<u>\$ 3,786,454</u>	<u>\$ 2,237,772</u>	<u>\$ 6,024,226</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, 2014*

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,936,667	\$ -	\$ 1,936,667
Intergovernmental	1,557,304	-	1,557,304
Fines and forfeitures	113,226	-	113,226
Investment income	3,187	397	3,584
Miscellaneous	556,169	982,764	1,538,933
Total revenues	<u>4,166,553</u>	<u>983,161</u>	<u>5,149,714</u>
EXPENDITURES			
Current			
General government	1,285,421	-	1,285,421
Public safety	582,415	-	582,415
Development	231,535	-	231,535
Recreation	1,720,049	-	1,720,049
Total expenditures	<u>3,819,420</u>	<u>-</u>	<u>3,819,420</u>
Excess (deficiency) of revenues over expenditures	347,133	983,161	1,330,294
OTHER FINANCING SOURCES (USES)			
Transfers in	915,918	1,271,937	2,187,855
Transfers out	(1,230,000)	(727,967)	(1,957,967)
Total other financing sources (uses)	<u>(314,082)</u>	<u>543,970</u>	<u>229,888</u>
Change in fund balances	33,051	1,527,131	1,560,182
Fund balances at beginning of year	<u>2,192,755</u>	<u>460,641</u>	<u>2,653,396</u>
Fund balances at end of year	<u>\$ 2,225,806</u>	<u>\$ 1,987,772</u>	<u>\$ 4,213,578</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The City's Special Revenue Funds consist of the following:

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

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

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

Texas Water Development Board (TWDB) 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.

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.

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

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

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

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

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

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 2014, \$1,975,534 was allocated as follows: for payroll and professional services not to exceed \$49,618; 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; and for various outside agencies, not to exceed \$695,916.

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.

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 twelve 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.

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

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

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

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

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

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2014

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	TWDB Study	Parks Improvement
ASSETS					
Cash and cash equivalents	\$ 10,115	\$ 152,146	\$ 1,891	\$ -	\$ 25,614
Investments	-	-	-	-	-
Receivables (net)					
Other	-	-	-	51,831	-
Due from other funds	-	-	-	-	-
Due from component unit	-	-	-	40,768	-
Total assets	<u>\$ 10,115</u>	<u>\$ 152,146</u>	<u>\$ 1,891</u>	<u>\$ 92,599</u>	<u>\$ 25,614</u>
LIABILITIES					
Accounts payable	\$ -	\$ 14,078	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-	-	-
Due to other funds	-	-	894	92,599	-
Unearned revenue	10,115	138,068	997	-	-
Total liabilities	<u>10,115</u>	<u>152,146</u>	<u>1,891</u>	<u>92,599</u>	<u>-</u>
FUND BALANCES					
Restricted					
City parks	-	-	-	-	25,614
Arts, tourism and conventions	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal court	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,614</u>
Total liabilities and fund balances	<u>\$ 10,115</u>	<u>\$ 152,146</u>	<u>\$ 1,891</u>	<u>\$ 92,599</u>	<u>\$ 25,614</u>

LEOSE Training Grant	Auto Theft Grant	TCEQ Grant	MPO Grant	Motel Tax	Forfeiture Fund	Office of Justice Grants	K-9 Unit Program
\$ 16,747	\$ -	\$ 48,664	\$ -	\$ 1,113,307	\$ 172,862	\$ -	\$ 811
-	-	-	-	845,240	-	-	-
-	34,275	-	59,893	249,684	-	15,061	-
-	54,292	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 16,747</u>	<u>\$ 88,567</u>	<u>\$ 48,664</u>	<u>\$ 59,893</u>	<u>\$ 2,208,231</u>	<u>\$ 172,862</u>	<u>\$ 15,061</u>	<u>\$ 811</u>
\$ -	\$ -	\$ 24,816	\$ 33,884	\$ 424,415	\$ 9,584	\$ -	\$ -
-	-	-	-	-	-	-	-
-	88,567	-	26,009	431,169	-	15,061	-
<u>16,747</u>	<u>-</u>	<u>23,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811</u>
<u>16,747</u>	<u>88,567</u>	<u>48,664</u>	<u>59,893</u>	<u>855,584</u>	<u>9,584</u>	<u>15,061</u>	<u>811</u>
-	-	-	-	-	-	-	-
-	-	-	-	1,352,647	-	-	-
-	-	-	-	-	163,278	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,352,647	163,278	-	-
<u>\$ 16,747</u>	<u>\$ 88,567</u>	<u>\$ 48,664</u>	<u>\$ 59,893</u>	<u>\$ 2,208,231</u>	<u>\$ 172,862</u>	<u>\$ 15,061</u>	<u>\$ 811</u>

(continued)

CITY OF VICTORIA, TEXAS

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2014

	Victoria Kids Recycle	COPS Hiring Program	Municipal Court Special Revenue	Lone Star Libraries Grant	Public, Educational, and Governmental (PEG) Fund
ASSETS					
Cash and cash equivalents	\$ 3,553	\$ -	\$ -	\$ 144	\$ 32,586
Investments	-	-	94,264	-	-
Receivables					
Other	-	17,128	-	-	48,644
Due from other funds	-	4,058	-	-	-
Due from component unit	-	-	-	-	-
Total assets	<u>\$ 3,553</u>	<u>\$ 21,186</u>	<u>\$ 94,264</u>	<u>\$ 144</u>	<u>\$ 81,230</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,755
Accrued expenditures	-	-	-	-	-
Due to other funds	-	21,186	-	-	-
Unearned revenue	3,553	-	-	144	-
Total liabilities	<u>3,553</u>	<u>21,186</u>	<u>-</u>	<u>144</u>	<u>1,755</u>
FUND BALANCES					
Restricted					
City parks	-	-	-	-	-
Arts, tourism and conventions	-	-	-	-	79,475
Public safety	-	-	-	-	-
Municipal court	-	-	94,264	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>94,264</u>	<u>-</u>	<u>79,475</u>
Total liabilities and fund balances	<u>\$ 3,553</u>	<u>\$ 21,186</u>	<u>\$ 94,264</u>	<u>\$ 144</u>	<u>\$ 81,230</u>

<u>Community Development Block Grant</u>	<u>Emergency Management</u>	<u>Convention and Visitors Bureau</u>	<u>Total</u>
\$ -	\$ 168,748	\$ 200,811	\$ 1,947,999
-	-	-	939,504
53,636	76	6,697	536,925
-	-	262,908	321,258
-	-	-	40,768
<u>\$ 53,636</u>	<u>\$ 168,824</u>	<u>\$ 470,416</u>	<u>\$ 3,786,454</u>
\$ 15,303	\$ 106,614	\$ 10,810	\$ 641,259
-	-	11,199	11,199
38,333	-	89	713,907
-	-	-	194,283
<u>53,636</u>	<u>106,614</u>	<u>22,098</u>	<u>1,560,648</u>
-	-	-	25,614
-	-	448,318	1,880,440
-	62,210	-	225,488
-	-	-	94,264
-	<u>62,210</u>	<u>448,318</u>	<u>2,225,806</u>
<u>\$ 53,636</u>	<u>\$ 168,824</u>	<u>\$ 470,416</u>	<u>\$ 3,786,454</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, 2014

	GCRAC EMS/Trauma System Grant	GCRPC Grant	Police Grants	TWDB Study	EMS Local Project Grant
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	19,930	115,768	4,975
Fines and forfeitures	-	-	-	-	-
Investment income	-	63	-	-	-
Miscellaneous	10,246	22,951	8,911	115,767	-
Total revenues	<u>10,246</u>	<u>23,014</u>	<u>28,841</u>	<u>231,535</u>	<u>4,975</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	10,246	23,014	28,841	-	4,975
Development	-	-	-	231,535	-
Recreation	-	-	-	-	-
Total expenditures	<u>10,246</u>	<u>23,014</u>	<u>28,841</u>	<u>231,535</u>	<u>4,975</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Parks Improvement</u>	<u>LEOSE Training Grant</u>	<u>Auto Theft Grant</u>	<u>TCEQ Grant</u>	<u>MPO Grant</u>	<u>Motel Tax</u>	<u>Forfeiture Fund</u>	<u>Office of Justice Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,936,667	\$ -	\$ -
-	300	104,143	288,391	189,997	-	-	15,061
-	-	-	-	-	-	38,902	-
-	-	-	-	-	2,878	232	-
<u>16,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,706</u>	<u>-</u>	<u>-</u>
<u>16,400</u>	<u>300</u>	<u>104,143</u>	<u>288,391</u>	<u>189,997</u>	<u>1,951,251</u>	<u>39,134</u>	<u>15,061</u>
-	-	-	288,391	189,997	-	-	-
-	300	158,435	-	-	-	71,551	15,061
-	-	-	-	-	-	-	-
<u>36,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,112</u>	<u>-</u>	<u>-</u>
<u>36,981</u>	<u>300</u>	<u>158,435</u>	<u>288,391</u>	<u>189,997</u>	<u>756,112</u>	<u>71,551</u>	<u>15,061</u>
(20,581)	-	(54,292)	-	-	1,195,139	(32,417)	-
-	-	54,292	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>54,292</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>	<u>-</u>	<u>-</u>
(20,581)	-	-	-	-	(34,861)	(32,417)	-
<u>46,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,387,508</u>	<u>195,695</u>	<u>-</u>
<u>\$ 25,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,352,647</u>	<u>\$ 163,278</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, 2014*

	COPS Hiring Program	Municipal Court Special Revenue	F.H.L.B. Grant	Public, Educational, and Governmental (PEG) Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	106,433	-	-	-
Fines and forfeitures	-	74,324	-	-
Investment income	-	-	-	-
Miscellaneous	-	6,927	62,550	81,230
Total revenues	<u>106,433</u>	<u>81,251</u>	<u>62,550</u>	<u>81,230</u>
EXPENDITURES				
General government	-	-	62,550	1,755
Public safety	109,883	40,871	-	-
Development	-	-	-	-
Recreation	-	-	-	-
Total expenditures	<u>109,883</u>	<u>40,871</u>	<u>62,550</u>	<u>1,755</u>
Excess (deficiency) of revenues over expenditures	(3,450)	40,380	-	79,475
OTHER FINANCING SOURCES (USES)				
Transfers in	3,450	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>3,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	-	40,380	-	79,475
Fund balance at beginning of year	-	53,884	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 94,264</u>	<u>\$ -</u>	<u>\$ 79,475</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>
\$ -	\$ -	\$ -	\$ -	\$ 1,936,667
700,500	10,895	911	-	1,557,304
-	-	-	-	113,226
-	-	-	14	3,187
<u>42,228</u>	<u>-</u>	<u>-</u>	<u>177,253</u>	<u>556,169</u>
<u>742,728</u>	<u>10,895</u>	<u>911</u>	<u>177,267</u>	<u>4,166,553</u>
742,728	-	-	-	1,285,421
-	10,895	108,343	-	582,415
-	-	-	-	231,535
<u>-</u>	<u>-</u>	<u>-</u>	<u>926,956</u>	<u>1,720,049</u>
<u>742,728</u>	<u>10,895</u>	<u>108,343</u>	<u>926,956</u>	<u>3,819,420</u>
-	-	(107,432)	(749,689)	347,133
-	-	108,176	750,000	915,918
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,230,000)</u>
<u>-</u>	<u>-</u>	<u>108,176</u>	<u>750,000</u>	<u>(314,082)</u>
-	-	744	311	33,051
<u>-</u>	<u>-</u>	<u>61,466</u>	<u>448,007</u>	<u>2,192,755</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,210</u>	<u>\$ 448,318</u>	<u>\$ 2,225,806</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, 2014

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,522,033	\$ 715,739	\$ 2,237,772
Total assets	<u>\$ 1,522,033</u>	<u>\$ 715,739</u>	<u>\$ 2,237,772</u>
LIABILITIES			
Due to other funds	\$ 250,000	-	\$ 250,000
FUND BALANCES			
Restricted			
Various capital projects	1,272,033	715,739	1,987,772
Total fund balances	<u>1,272,033</u>	<u>715,739</u>	<u>1,987,772</u>
Total liabilities and fund balances	<u>\$ 1,522,033</u>	<u>\$ 715,739</u>	<u>\$ 2,237,772</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, 2014

	Capital Construction Fund (3035)	Capital Construction Fund (3036)	Total
REVENUES			
Investment income			
Interest	\$ 96	\$ 301	\$ 397
Miscellaneous	<u>-</u>	<u>982,764</u>	<u>982,764</u>
Total revenues	<u>96</u>	<u>983,065</u>	<u>983,161</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	96	983,065	983,161
OTHER FINANCING SOURCES (USES)			
Transfers in	1,271,937	-	1,271,937
Transfers out	<u>(7,692)</u>	<u>(720,275)</u>	<u>(727,967)</u>
Total other financing sources (uses)	<u>1,264,245</u>	<u>(720,275)</u>	<u>543,970</u>
Change in fund balances	1,264,341	262,790	1,527,131
Fund balances at beginning of year	<u>7,692</u>	<u>452,949</u>	<u>460,641</u>
Fund balances at end of year	<u>\$ 1,272,033</u>	<u>\$ 715,739</u>	<u>\$ 1,987,772</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, 2014
 With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 2,240,022	\$ 3,773,533
Investments	17,479,917	15,319,500
Receivables (net)		
Ad valorem taxes (prior years)	1,475,695	1,276,205
Franchise taxes	698,874	732,683
Sales taxes	1,498,326	1,349,790
Ambulance	1,352,936	1,676,447
Fines	365,778	363,193
Other	543,087	657,383
Due from other funds	531,755	447,486
Inventory	268,964	240,214
Returned checks	<u>18,130</u>	<u>17,925</u>
Total assets	<u>\$ 26,473,484</u>	<u>\$ 25,854,359</u>
LIABILITIES		
Accounts payable	\$ 1,352,087	\$ 1,026,166
Accrued expenditures	1,754,247	1,735,443
Accrued compensated absences	2,296	2,942
Due to other governments	145,914	113,618
Due to other funds	598,419	672,446
Unearned revenue	<u>767,450</u>	<u>758,652</u>
Total liabilities	<u>4,620,413</u>	<u>4,309,267</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>3,564,819</u>	<u>3,683,589</u>
Total deferred inflows of resources	<u>3,564,819</u>	<u>3,683,589</u>
FUND BALANCES		
Nonspendable		
Inventory	268,964	240,214
Committed	2,689,089	2,331,578
Unassigned	<u>15,330,199</u>	<u>15,289,711</u>
Total fund balances	<u>18,288,252</u>	<u>17,861,503</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 26,473,484</u>	<u>\$ 25,854,359</u>

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014			2013 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Taxes				
Ad valorem taxes	\$ 14,024,577	\$ 13,872,998	\$ (151,579)	\$ 12,932,373
Penalty and interest	220,000	220,286	286	211,062
Franchise tax	5,098,000	5,308,414	210,414	5,136,247
Sales tax	17,687,120	17,692,397	5,277	17,516,177
Other	70,000	75,651	5,651	72,505
Total taxes	37,099,697	37,169,746	70,049	35,868,364
Licenses and permits				
Building	250,000	472,007	222,007	370,385
Electrical	70,000	83,897	13,897	69,233
Mechanical	60,000	57,845	(2,155)	59,746
Liquor	175,000	244,444	69,444	196,468
Plumbing	50,000	66,253	16,253	59,954
Vital statistics	130,000	126,332	(3,668)	127,943
Miscellaneous	74,585	83,675	9,090	78,488
Total licenses and permits	809,585	1,134,453	324,868	962,217
Intergovernmental	1,899,000	1,742,790	(156,210)	2,082,186
Charges for services				
Ambulance	1,780,000	1,830,158	50,158	1,676,447
Victoria Public Library	63,000	79,928	16,928	69,823
Parks and recreation	123,300	76,836	(46,464)	120,350
Miscellaneous	145,900	175,949	30,049	199,450
Total charges for services	2,112,200	2,162,871	50,671	2,066,070
Fines and forfeitures				
Court costs	121,400	161,958	40,558	87,881
Criminal and traffic court	735,000	1,315,498	580,498	666,058
Parking violations	14,500	9,948	(4,552)	10,356
Total fines and forfeitures	870,900	1,487,404	616,504	764,295
Investment income				
Interest	50,000	85,986	35,986	47,898
Miscellaneous				
Rents	2,200	2,343	143	2,843
Salvage and asset sales	25,000	6,363	(18,637)	8,926
Contributions and miscellaneous	171,116	456,178	285,062	288,382
Total miscellaneous	198,316	464,884	266,568	300,151
Total revenues	\$ 43,039,698	\$ 44,248,134	\$ 1,208,436	\$ 42,091,181

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013 Actual
	Final Budget	Actual		
General government				
City manager and council				
Personnel	\$ 556,638	\$ 551,347	\$ 5,291	\$ 539,318
Maintenance and operations	77,294	58,294	19,000	54,903
Capital outlay	1,277	1,099	178	2,570
Total city manager and council	635,209	610,740	24,469	596,791
Finance				
Personnel	446,351	446,276	75	451,947
Maintenance and operations	171,956	159,121	12,835	156,720
Capital outlay	1,545	1,082	463	1,671
Total finance	619,852	606,479	13,373	610,338
Legal				
Personnel	370,383	363,037	7,346	348,046
Maintenance and operations	136,804	106,094	30,710	102,133
Capital outlay	2,645	2,602	43	2,800
Total legal	509,832	471,733	38,099	452,979
Human resources				
Personnel	290,547	289,247	1,300	280,130
Maintenance and operations	169,684	154,803	14,881	111,693
Capital outlay	11,151	8,989	2,162	3,210
Total human resources	471,382	453,039	18,343	395,033
City secretary				
Personnel	148,212	143,052	5,160	144,670
Maintenance and operations	65,441	56,986	8,455	113,294
Capital outlay	3,045	2,926	119	2,140
Total city secretary	216,698	202,964	13,734	260,104
Public information office				
Personnel	181,278	181,638	(360)	181,274
Maintenance and operations	60,680	40,265	20,415	46,300
Capital outlay	-	-	-	5,984
Total public information office	241,958	221,903	20,055	233,558

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014			2013 Actual
	Final Budget	Actual	Variance Positive (Negative)	
General government - (continued)				
Non-departmental				
Personnel	\$ 185,523	\$ 174,934	\$ 10,589	\$ 7,393
Maintenance and operations	1,256,208	1,282,319	(26,111)	937,995
Total non-departmental	1,441,731	1,457,253	(15,522)	945,388
Total general government	4,136,662	4,024,111	112,551	3,494,191
Public safety				
Police				
Personnel	10,603,104	10,532,366	70,738	10,057,078
Maintenance and operations	2,151,763	2,122,861	28,902	1,775,149
Capital outlay	489,270	224,063	265,207	246,777
Total police	13,244,137	12,879,290	364,847	12,079,004
Fire				
Personnel	9,177,494	8,919,091	258,403	8,818,307
Maintenance and operations	2,162,309	2,032,209	130,100	2,328,683
Capital outlay	2,594,496	438,522	2,155,974	486,280
Total fire	13,934,299	11,389,822	2,544,477	11,633,270
Municipal court				
Personnel	249,028	246,506	2,522	228,706
Maintenance and operations	97,548	91,800	5,748	43,734
Capital outlay	20,119	16,305	3,814	198,202
Total municipal court	366,695	354,611	12,084	470,642
Total public safety	27,545,131	24,623,723	2,921,408	24,182,916

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014			2013 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Development				
Development svcs. administration				
Personnel	\$ 159,358	\$ 164,484	\$ (5,126)	\$ 155,136
Maintenance and operations	18,012	13,386	4,626	15,539
Capital outlay	1,100	1,091	9	-
Total development svcs. administration	178,470	178,961	(491)	170,675
Planning services				
Personnel	221,329	177,880	43,449	211,437
Maintenance and operations	314,292	318,478	(4,186)	257,462
Capital outlay	3,745	3,940	(195)	-
Total planning services	539,366	500,298	39,068	468,899
Development center/inspections				
Personnel	636,257	598,475	37,782	599,341
Maintenance and operations	151,277	149,317	1,960	157,506
Capital outlay	15,870	14,959	911	3,669
Total development center/inspections	803,404	762,751	40,653	760,516
Code enforcement				
Personnel	202,720	197,343	5,377	182,136
Maintenance and operations	220,367	147,601	72,766	191,982
Capital outlay	7,725	11,680	(3,955)	553
Total code enforcement	430,812	356,624	74,188	374,671
Geographic information system (GIS)				
Personnel	245,011	243,074	1,937	237,592
Maintenance and operations	43,045	35,323	7,722	142,672
Capital outlay	1,545	1,527	18	6,374
Total geographic information system	289,601	279,924	9,677	386,638
Engineering				
Personnel	644,555	624,665	19,890	686,181
Maintenance and operations	189,775	161,720	28,055	183,870
Capital outlay	27,804	29,351	(1,547)	7,868
Total engineering	862,134	815,736	46,398	877,919

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013 Actual
	Final Budget	Actual		
Development - (continued)				
Streets and drainage				
Personnel	\$ 1,475,577	\$ 1,327,276	\$ 148,301	\$ 1,301,926
Maintenance and operations	1,441,884	1,159,196	282,688	794,531
Capital outlay	<u>3,604,622</u>	<u>2,846,238</u>	<u>758,384</u>	<u>2,902,722</u>
Total streets and drainage	<u>6,522,083</u>	<u>5,332,710</u>	<u>1,189,373</u>	<u>4,999,179</u>
Traffic control				
Personnel	447,903	439,474	8,429	413,794
Maintenance and operations	1,802,723	1,525,242	277,481	1,517,069
Capital outlay	<u>382,200</u>	<u>84,041</u>	<u>298,159</u>	<u>32,997</u>
Total traffic control	<u>2,632,826</u>	<u>2,048,757</u>	<u>584,069</u>	<u>1,963,860</u>
Total development	<u>12,258,696</u>	<u>10,275,761</u>	<u>1,982,935</u>	<u>10,002,357</u>
Building services				
Building services				
Personnel	263,106	234,191	28,915	244,592
Maintenance and operations	177,342	151,384	25,958	168,666
Capital outlay	<u>36,197</u>	<u>34,395</u>	<u>1,802</u>	<u>157,586</u>
Total building services	<u>476,645</u>	<u>419,970</u>	<u>56,675</u>	<u>570,844</u>
Custodial				
Personnel	164,825	156,954	7,871	155,764
Maintenance and operations	<u>36,552</u>	<u>29,837</u>	<u>6,715</u>	<u>24,704</u>
Total custodial	<u>201,377</u>	<u>186,791</u>	<u>14,586</u>	<u>180,468</u>
Total building services	<u>678,022</u>	<u>606,761</u>	<u>71,261</u>	<u>751,312</u>
Recreation				
Parks and recreation				
Personnel	1,789,768	1,659,298	130,470	1,585,462
Maintenance and operations	2,164,344	1,884,562	279,782	1,623,423
Capital outlay	<u>381,983</u>	<u>337,379</u>	<u>44,604</u>	<u>829,155</u>
Total parks and recreation	<u>4,336,095</u>	<u>3,881,239</u>	<u>454,856</u>	<u>4,038,040</u>

(continued)

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014			2013 Actual
	Final Budget	Actual	Variance Positive (Negative)	
Recreation - (continued)				
Library				
Personnel	\$ 1,330,129	\$ 1,255,896	\$ 74,233	\$ 1,229,427
Maintenance and operations	446,476	407,846	38,630	467,500
Capital outlay	425,396	367,176	58,220	359,818
Total library	2,202,001	2,030,918	171,083	2,056,745
Total recreation	6,538,096	5,912,157	625,939	6,094,785
Total expenditures	\$ 51,156,607	\$ 45,442,513	\$ 5,714,094	\$ 44,525,561

(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.

2013 Certificates of Obligation Issue - To accumulate monies for payment of the 2013 \$9,095,000 3.00% - 4.49% Certificates of Obligation Bonds which are serial bonds due in annual installments of various amounts plus interest until maturity in 2033. Property tax is levied to finance debt service. Proceeds will be used (1) to construct, improve and repair City streets and sidewalks, together with landscape, drainage, utility line replacement, traffic and street signalization and lighting improvements, and (2) to pay costs of issuance of the Certificates.

CITY OF VICTORIA, TEXAS
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 116,120	\$ 73,106
Investments	1,000,301	1,149,672
Receivables (net)		
Ad valorem taxes (prior years)	<u>676,981</u>	<u>551,928</u>
Total assets	<u>\$ 1,793,402</u>	<u>\$ 1,774,706</u>
LIABILITIES		
Accrued interest payable	<u>\$ 25,344</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>676,981</u>	<u>551,928</u>
Total deferred inflows of resources	<u>676,981</u>	<u>551,928</u>
FUND BALANCE		
Restricted	<u>1,091,077</u>	<u>1,222,778</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,793,402</u>	<u>\$ 1,774,706</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013 Actual
	Final Budget	Actual		
REVENUES				
Taxes				
Ad valorem - current				
2004 Issue	\$ 1,325,396	\$ 1,307,972	\$ (17,424)	\$ 780,603
2005 Issues	810,967	800,310	(10,657)	2,413,558
2006 Issue	753,371	743,462	(9,909)	755,814
2007 Issue	864,752	853,384	(11,368)	866,507
2009 Issues	1,291,951	1,274,971	(16,980)	1,092,446
2010 Issue	1,047,330	1,033,563	(13,767)	1,006,921
2012 Issues	656,117	647,489	(8,628)	658,117
2013 Issues	1,545,796	1,525,490	(20,306)	-
Ad valorem - delinquent	125,000	63,732	(61,268)	108,135
Intergovernmental	413,958	421,220	7,262	434,156
Investment income - interest	12,000	6,606	(5,394)	14,258
Miscellaneous	-	-	-	345,275
Total revenues	<u>8,846,638</u>	<u>8,678,199</u>	<u>(168,439)</u>	<u>8,475,790</u>
EXPENDITURES				
Debt service				
Principal retirement				
2004 Issue	1,285,000	1,285,000	-	465,000
2005 Issues	725,000	725,000	-	1,485,000
2006 Issue	450,000	450,000	-	430,000
2007 Issue	475,000	475,000	-	455,000
2009 Issues	350,000	350,000	-	180,000
2010 Issue	815,000	815,000	-	755,000
2011 Issue	375,000	375,000	-	-
2012 Issues	475,000	475,000	-	465,000
2013 Issues	465,000	460,000	5,000	430,000
Interest				
2004 Issue	51,400	51,400	-	68,256
2005 Issues	92,700	92,700	-	147,700
2006 Issue	309,626	309,625	1	328,975
2007 Issue	396,932	396,931	1	415,131
2009 Issues	1,366,636	1,366,635	1	1,370,910
2010 Issue	241,026	241,025	1	256,125
2011 Issue	345,276	345,275	1	345,275
2012 Issues	186,564	186,563	1	195,863
2013 Issues	1,093,631	1,113,036	(19,405)	439,740
Paying agents' fees and issue costs	5,600	8,215	(2,615)	389,269
Arbitrage rebate premiums	14,900	8,770	6,130	4,455
Total expenditures	<u>9,519,291</u>	<u>9,530,175</u>	<u>(10,884)</u>	<u>8,626,699</u>
Excess (deficiency) of revenues over expenditures	(672,653)	(851,976)	(179,323)	(150,909)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	25,015,000
Premium on issuance of bonds	-	-	-	2,163,159
Payments to escrow	-	-	-	(26,781,924)
Transfer in	720,276	720,275	(1)	-
Total other financing sources (uses)	<u>720,276</u>	<u>720,275</u>	<u>(1)</u>	<u>396,235</u>
Changes in fund balance	47,623	(131,701)	(179,324)	245,326
Fund balance at beginning of year	1,222,778	1,222,778	-	977,452
Fund balance at end of year	<u>\$ 1,270,401</u>	<u>\$ 1,091,077</u>	<u>\$ (179,324)</u>	<u>\$ 1,222,778</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, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 137,024
Investment income				
Interest	16	96	80	160
Total revenues	<u>16</u>	<u>96</u>	<u>80</u>	<u>137,184</u>
EXPENDITURES				
Capital outlay	-	-	-	304,579
Excess (deficiency) of revenues over expenditures	16	96	80	(167,395)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,271,937	1,271,937	-
Transfers out	-	(7,692)	(7,692)	-
Total other financing sources (uses)	-	1,264,245	1,264,245	-
Change in fund balance	16	1,264,341	1,264,325	(167,395)
Fund balance at beginning of year	<u>7,692</u>	<u>7,692</u>	-	<u>175,087</u>
Fund balance at end of year	<u>\$ 7,708</u>	<u>\$ 1,272,033</u>	<u>\$ 1,264,325</u>	<u>\$ 7,692</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, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013 Actual
	Final Budget	Actual	Variance Positive (Negative)	
REVENUES				
Investment income				
Interest	\$ 1,130	\$ 301	\$ (829)	\$ 661
Miscellaneous	-	982,764	982,764	-
Total revenues	<u>1,130</u>	<u>983,065</u>	<u>981,935</u>	<u>661</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,130	983,065	981,935	661
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(720,275)	(720,275)	-
Total other financing sources (uses)	<u>-</u>	<u>(720,275)</u>	<u>(720,275)</u>	<u>-</u>
Change in fund balance	1,130	262,790	261,660	661
Fund balance at beginning of year	<u>452,949</u>	<u>452,949</u>	<u>-</u>	<u>452,288</u>
Fund balance at end of year	<u>\$ 454,079</u>	<u>\$ 715,739</u>	<u>\$ 261,660</u>	<u>\$ 452,949</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, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013 Actual
	Final Budget	Actual		
REVENUES				
Investment income				
Interest	\$ 12,000	\$ 16,124	\$ 4,124	\$ 7,392
Miscellaneous	485,576	-	(485,576)	4,637,697
Total revenues	<u>497,576</u>	<u>16,124</u>	<u>(481,452)</u>	<u>4,645,089</u>
EXPENDITURES				
Current				
Development	-	197,498	(197,498)	207,186
Capital outlay	9,485,576	4,516,213	4,969,363	7,403,353
Debt service				
Bond issue costs	-	145,222	(145,222)	-
Total expenditures	<u>9,485,576</u>	<u>4,858,933</u>	<u>4,626,643</u>	<u>7,610,539</u>
Excess (deficiency) of revenues over expenditures	(8,988,000)	(4,842,809)	4,145,191	(2,965,450)
OTHER FINANCING SOURCES (USES)				
Bonds issued	9,000,000	9,095,000	95,000	-
Premium on issuance of bonds	-	50,222	50,222	-
Transfers in	-	7,692	7,692	1,538,035
Total other financing sources (uses)	<u>9,000,000</u>	<u>9,152,914</u>	<u>152,914</u>	<u>1,538,035</u>
Change in fund balance	12,000	4,310,105	4,298,105	(1,427,415)
Fund balance at beginning of year	<u>2,268,492</u>	<u>2,268,492</u>	-	<u>3,695,907</u>
Fund balance at end of year	<u>\$ 2,280,492</u>	<u>\$ 6,578,597</u>	<u>\$ 4,298,105</u>	<u>\$ 2,268,492</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, 2014

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 434,181	\$ 76,163	\$ 510,344
Receivables (net)	375	23	398
Due from other funds	168,261	-	168,261
Returned checks	1,520	-	1,520
Restricted assets			
Cash and cash equivalents	211,419	-	211,419
Investments	800,240	-	800,240
Total current assets	<u>1,615,996</u>	<u>76,186</u>	<u>1,692,182</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	175,160	224,598	399,758
Buildings, improvements, and equipment (net)	<u>2,796,307</u>	<u>1,318,250</u>	<u>4,114,557</u>
Total noncurrent assets	<u>2,971,467</u>	<u>1,542,848</u>	<u>4,514,315</u>
Total assets	<u>4,587,463</u>	<u>1,619,034</u>	<u>6,206,497</u>
LIABILITIES			
Current liabilities			
Accounts payable	112,209	27,641	139,850
Accrued expenses	10,103	-	10,103
Due to other funds	13,578	-	13,578
Accrued compensated absences	17	-	17
Customer deposits	41,705	-	41,705
Total current liabilities	<u>177,612</u>	<u>27,641</u>	<u>205,253</u>
Noncurrent liabilities			
Accrued compensated absences	<u>1,430</u>	-	<u>1,430</u>
Total liabilities	<u>179,042</u>	<u>27,641</u>	<u>206,683</u>
NET POSITION			
Net investment in capital assets	2,971,467	1,542,848	4,514,315
Unrestricted net position	<u>1,436,954</u>	<u>48,545</u>	<u>1,485,499</u>
Total net position	<u>\$ 4,408,421</u>	<u>\$ 1,591,393</u>	<u>\$ 5,999,814</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, 2014

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 243,548	\$ 151,540	\$ 395,088
OPERATING EXPENSES			
Personnel	264,572	-	264,572
Materials and supplies	24,900	1,000	25,900
Maintenance	35,881	25,508	61,389
Heat, lights and power	97,576	64,102	161,678
Miscellaneous services	44,721	10,559	55,280
Contractual services	8,638	24,230	32,868
Computer services	10,969	-	10,969
Depreciation	199,798	102,447	302,245
Total operating expenses	<u>687,055</u>	<u>227,846</u>	<u>914,901</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(443,507)	(76,306)	(519,813)
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,648	-	2,648
Gain (loss) on disposition of capital assets	<u>(8,885)</u>	<u>-</u>	<u>(8,885)</u>
Net nonoperating revenues (expenses)	<u>(6,237)</u>	<u>-</u>	<u>(6,237)</u>
Income before transfers	(449,744)	(76,306)	(526,050)
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	10,456	(76,306)	(65,850)
Total net position at beginning of year	<u>4,397,965</u>	<u>1,667,699</u>	<u>6,065,664</u>
Total net position at end of year	<u>\$ 4,408,421</u>	<u>\$ 1,591,393</u>	<u>\$ 5,999,814</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2014

	Community Center	700 Main Center	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 243,702	\$ 152,523	\$ 396,225
Cash paid to suppliers for goods and services	(162,561)	(116,892)	(279,453)
Cash paid to employees for services	(266,026)	-	(266,026)
Net cash provided (used) by operating activities	<u>(184,885)</u>	<u>35,631</u>	<u>(149,254)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	9,154	-	9,154
Borrowings from (to) other funds	(37,256)	-	(37,256)
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>432,098</u>	<u>-</u>	<u>432,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(733,522)	(83,264)	(816,786)
Proceeds from sale of capital assets	658	-	658
Net cash provided (used) by capital and related financing activities	<u>(732,864)</u>	<u>(83,264)</u>	<u>(816,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,900,000)	-	(2,900,000)
Proceeds from sales and maturities of investments	2,099,760	-	2,099,760
Investment income	2,648	-	2,648
Net cash provided (used) by investing activities	<u>(797,592)</u>	<u>-</u>	<u>(797,592)</u>
Net increase (decrease) in cash and cash equivalents	(1,283,243)	(47,633)	(1,330,876)
Cash and cash equivalents at beginning of year	<u>1,928,843</u>	<u>123,796</u>	<u>2,052,639</u>
Cash and cash equivalents at end of year	<u>\$ 645,600</u>	<u>\$ 76,163</u>	<u>\$ 721,763</u>

CITY OF VICTORIA, TEXAS
ALL NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2014

	<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)	\$ (443,507)	\$ (76,306)	\$ (519,813)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	199,798	102,447	302,245
Changes in assets and liabilities			
(Increase) decrease in other receivables	-	983	983
(Increase) decrease in returned checks	154	-	154
Increase (decrease) in accounts payable	60,124	8,507	68,631
Increase (decrease) in accrued expenses	1,806	-	1,806
Increase (decrease) in compensated absences	<u>(3,260)</u>	<u>-</u>	<u>(3,260)</u>
Total adjustments	<u>258,622</u>	<u>111,937</u>	<u>370,559</u>
Net cash provided (used) by operating activities	<u>\$ (184,885)</u>	<u>\$ 35,631</u>	<u>\$ (149,254)</u>

WATER AND WASTEWATER FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,256,032	\$ 4,892,183
Investments	6,202,611	6,747,714
Receivables (net)		
Accounts	2,261,336	2,099,036
Other	21,086	20,889
Inventory	142,507	157,591
Returned checks	2,468	3,742
Restricted assets		
Cash and cash equivalents	6,787,832	5,908,347
Investments	16,493,051	-
Total current assets	<u>36,166,923</u>	<u>19,829,502</u>
Noncurrent assets		
Capital assets		
Buildings	35,920,949	35,833,881
Water and wastewater distribution system	151,951,944	147,802,645
Improvements other than buildings	1,527,680	1,443,431
Machinery and equipment	<u>3,557,150</u>	<u>3,244,385</u>
Total capital assets	192,957,723	188,324,342
Less accumulated depreciation	<u>88,621,279</u>	<u>82,484,244</u>
Subtotal	104,336,444	105,840,098
Land and water rights	3,190,946	3,178,255
Construction in progress	<u>11,535,707</u>	<u>5,571,993</u>
Net capital assets	<u>119,063,097</u>	<u>114,590,346</u>
Total noncurrent assets	<u>119,063,097</u>	<u>114,590,346</u>
Total assets	<u>155,230,020</u>	<u>134,419,848</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	<u>436,654</u>	<u>495,998</u>
Total deferred outflows of resources	<u>436,654</u>	<u>495,998</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 862,351	\$ 1,065,950
Accounts payable (payable from restricted assets)	1,716,580	947,598
Accrued expenses	233,695	188,235
Accrued compensated absences	2,394	3,014
Due to other funds	89,250	44,925
Accrued interest payable	1,188,822	969,044
Current portion of waterworks and sewer system revenue bonds	<u>6,015,000</u>	<u>5,170,000</u>
Total current liabilities	<u>10,108,092</u>	<u>8,388,766</u>
Noncurrent liabilities		
Waterworks and sewer system revenue bonds (net of current portion)	77,275,000	63,865,000
Premiums on long-term debt	4,272,165	2,167,055
Other post employment benefits payable	17,606	29,652
Accrued compensated absences	<u>202,148</u>	<u>197,676</u>
Total noncurrent liabilities	<u>81,766,919</u>	<u>66,259,383</u>
Total liabilities	<u>91,875,011</u>	<u>74,648,149</u>
NET POSITION		
Net investment in capital assets	53,667,971	46,720,674
Unrestricted, as restated	<u>10,123,692</u>	<u>13,547,023</u>
Total net position	<u>\$ 63,791,663</u>	<u>\$ 60,267,697</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Water sales	\$ 13,038,377	\$ 12,879,915
Sewer service	11,489,959	11,264,838
Tap and connection fees	444,453	335,905
Miscellaneous	<u>178,475</u>	<u>336,091</u>
Total operating revenues	<u>25,151,264</u>	<u>24,816,749</u>
OPERATING EXPENSES		
Personnel	5,273,007	5,027,100
Materials and supplies	1,289,927	1,375,305
Maintenance	876,234	1,014,895
Heat, lights, and power	1,495,788	1,547,379
Miscellaneous services	1,175,635	1,829,877
Contractual services	549,033	527,849
Computer services	581,973	121,656
Depreciation	<u>6,180,101</u>	<u>5,077,576</u>
Total operating expenses	<u>17,421,698</u>	<u>16,521,637</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	7,729,566	8,295,112
NONOPERATING REVENUES (EXPENSES)		
Investment income	28,953	32,371
Interest and fiscal charges	(3,124,039)	(2,792,139)
Gain (loss) on disposition of capital assets	<u>(7,625)</u>	<u>629,770</u>
Net nonoperating revenues (expenses)	<u>(3,102,711)</u>	<u>(2,129,998)</u>
Income before contributions and transfers	4,626,855	6,165,114
Contributions and transfers		
Capital contributions	1,374,311	6,099,555
Transfers out	<u>(2,477,200)</u>	<u>(2,450,100)</u>
Total contributions and transfers	<u>(1,102,889)</u>	<u>3,649,455</u>
Change in net position	3,523,966	9,814,569
Total net position at beginning of year	<u>60,267,697</u>	<u>50,453,128</u>
Total net position at end of year	<u>\$ 63,791,663</u>	<u>\$ 60,267,697</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

WATER AND WASTEWATER FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 24,990,041	\$ 24,919,077
Cash paid to suppliers for goods and services	(6,157,105)	(5,856,025)
Cash paid to employees for services	<u>(5,235,741)</u>	<u>(4,995,624)</u>
Net cash provided (used) by operating activities	<u>13,597,195</u>	<u>14,067,428</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	44,325	470,425
Borrowings from (to) component unit	-	(500,000)
Transfers out to other funds	<u>(2,477,200)</u>	<u>(2,450,100)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,432,875)</u>	<u>(2,479,675)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(9,891,495)	(11,013,619)
Proceeds from capital grants and contributions	1,374,311	6,099,555
Proceeds from sale of capital assets	-	629,770
Proceeds from issuance of revenue bonds	21,776,968	-
Principal paid on revenue bonds	(5,170,000)	(4,915,000)
Interest paid on revenue bonds	<u>(3,091,775)</u>	<u>(3,065,146)</u>
Net cash provided (used) by capital and related financing activities	<u>4,998,009</u>	<u>(12,264,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(28,947,656)	(6,747,714)
Proceeds from sales and maturities of investments	12,999,708	-
Investment income	<u>28,953</u>	<u>32,371</u>
Net cash provided (used) by investing activities	<u>(15,918,995)</u>	<u>(6,715,343)</u>
Net increase (decrease) in cash and cash equivalents	243,334	(7,392,030)
Cash and cash equivalents at beginning of year	<u>10,800,530</u>	<u>18,192,560</u>
Cash and cash equivalents at end of year	<u>\$ 11,043,864</u>	<u>\$ 10,800,530</u>

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
WATER AND WASTEWATER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 7,729,566	\$ 8,295,112
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,180,101	5,077,576
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(162,300)	95,375
(Increase) decrease in other receivables	(197)	8,574
(Increase) decrease in inventory	15,084	(17,300)
(Increase) decrease in returned checks	1,274	(1,621)
Increase (decrease) in accounts payable	(203,599)	578,236
Increase (decrease) in accrued expenses	45,460	3,408
Increase (decrease) in compensated absences	3,852	18,956
Increase (decrease) in other post employment benefits payable	(12,046)	9,112
Total adjustments	<u>5,867,629</u>	<u>5,772,316</u>
Net cash provided (used) by operating activities	<u>\$ 13,597,195</u>	<u>\$ 14,067,428</u>

COMMUNITY CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 434,181	\$ 742,821
Receivables (net)		
Other	375	375
Due from other funds	168,261	120,000
Returned checks	1,520	1,674
Restricted assets		
Cash and cash equivalents	211,419	1,186,022
Investments	800,240	-
Total current assets	<u>1,615,996</u>	<u>2,050,892</u>
Noncurrent assets		
Capital assets		
Buildings	4,459,188	3,970,160
Infrastructure	288,581	288,581
Machinery and equipment	366,539	148,175
Total capital assets	5,114,308	4,406,916
Less accumulated depreciation	2,318,001	2,134,790
Subtotal	2,796,307	2,272,126
Land	175,160	175,160
Net capital assets	<u>2,971,467</u>	<u>2,447,286</u>
Total noncurrent assets	<u>2,971,467</u>	<u>2,447,286</u>
Total assets	<u>4,587,463</u>	<u>4,498,178</u>
LIABILITIES		
Current liabilities		
Accounts payable	112,209	52,085
Accrued expenses	10,103	8,297
Due to other funds	13,578	2,573
Accrued compensated absences	17	71
Customer deposits	41,705	32,551
Total current liabilities	<u>177,612</u>	<u>95,577</u>
Noncurrent liabilities		
Accrued compensated absences	1,430	4,636
Total liabilities	<u>179,042</u>	<u>100,213</u>
NET POSITION		
Net investment in capital assets	2,971,467	2,447,286
Unrestricted	1,436,954	1,950,679
Total net position	<u>\$ 4,408,421</u>	<u>\$ 4,397,965</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, 2014
With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Rental fees	\$ 242,410	\$ 242,646
Miscellaneous	<u>1,138</u>	<u>3,807</u>
Total operating revenues	<u>243,548</u>	<u>246,453</u>
OPERATING EXPENSES		
Personnel	264,572	292,954
Materials and supplies	24,900	23,817
Maintenance	35,881	33,472
Heat, lights, and power	97,576	109,163
Miscellaneous services	44,721	58,065
Contractual services	8,638	26,599
Computer services	10,969	9,498
Depreciation	<u>199,798</u>	<u>156,047</u>
Total operating expenses	<u>687,055</u>	<u>709,615</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(443,507)	(463,162)
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,648	4,675
Gain (loss) on disposition of capital assets	<u>(8,885)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(6,237)</u>	<u>4,675</u>
Income (loss) before transfers	(449,744)	(458,487)
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	10,456	1,713
Total net position at beginning of year	<u>4,397,965</u>	<u>4,396,252</u>
Total net position at end of year	<u>\$ 4,408,421</u>	<u>\$ 4,397,965</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
COMMUNITY CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 243,702	\$ 245,216
Cash paid to suppliers for goods and services	(162,561)	(240,405)
Cash paid to employees for services	(266,026)	(294,797)
Net cash provided (used) by operating activities	<u>(184,885)</u>	<u>(289,986)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	9,154	(21,534)
Borrowings from (to) other funds	(37,256)	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>432,098</u>	<u>441,239</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(733,522)	(129,785)
Proceeds from sale of capital assets	658	-
Net cash provided (used) by capital and related financing activities	<u>(732,864)</u>	<u>(129,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,900,000)	-
Proceeds from sales and maturities of investments	2,099,760	-
Investment income	2,648	4,675
Net cash provided (used) by investing activities	<u>(797,592)</u>	<u>4,675</u>
Net increase (decrease) in cash and cash equivalents	(1,283,243)	26,143
Cash and cash equivalents at beginning of year	<u>1,928,843</u>	<u>1,902,700</u>
Cash and cash equivalents at end of year	<u>\$ 645,600</u>	<u>\$ 1,928,843</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (443,507)	\$ (463,162)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	199,798	156,047
Changes in assets and liabilities		
(Increase) decrease in other receivables	-	(375)
(Increase) decrease in returned checks	154	(862)
Increase (decrease) in accounts payable	60,124	20,209
Increase (decrease) in accrued expenses	1,806	(2,506)
Increase (decrease) in compensated absences	(3,260)	663
Total adjustments	<u>258,622</u>	<u>173,176</u>
Net cash provided (used) by operating activities	<u>\$ (184,885)</u>	<u>\$ (289,986)</u>

700 MAIN CENTER FUND

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 76,163	\$ 123,796
Receivables (net)		
Other	23	1,006
Total current assets	<u>76,186</u>	<u>124,802</u>
Noncurrent assets		
Capital assets		
Buildings	2,703,688	2,620,424
Improvements other than buildings	78,216	78,216
Machinery and equipment	113,698	113,698
Total capital assets	<u>2,895,602</u>	<u>2,812,338</u>
Less accumulated depreciation	<u>1,577,352</u>	<u>1,474,905</u>
Subtotal	1,318,250	1,337,433
Land	224,598	224,598
Net capital assets	<u>1,542,848</u>	<u>1,562,031</u>
Total assets	<u>1,619,034</u>	<u>1,686,833</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>27,641</u>	<u>19,134</u>
NET POSITION		
Net investment in capital assets	1,542,848	1,562,031
Unrestricted	<u>48,545</u>	<u>105,668</u>
Total net position	<u>\$ 1,591,393</u>	<u>\$ 1,667,699</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Rental fees	\$ 151,540	\$ 151,515
OPERATING EXPENSES		
Materials and supplies	1,000	1,015
Maintenance	25,508	17,258
Heat, lights, and power	64,102	68,824
Miscellaneous services	10,559	9,914
Contractual services	24,230	20,400
Depreciation	<u>102,447</u>	<u>99,573</u>
Total operating expenses	<u>227,846</u>	<u>216,984</u>
Operating income (loss) before nonoperating revenues (expenses)	(76,306)	(65,469)
NONOPERATING REVENUES		
Investment income	<u>-</u>	<u>68</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>68</u>
Change in net position	(76,306)	(65,401)
Total net position at beginning of year	<u>1,667,699</u>	<u>1,733,100</u>
Total net position at end of year	<u>\$ 1,591,393</u>	<u>\$ 1,667,699</u>

CITY OF VICTORIA, TEXAS
NONMAJOR ENTERPRISE FUND
700 MAIN CENTER FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 152,523	\$ 150,692
Cash paid to suppliers for goods and services	<u>(116,892)</u>	<u>(116,667)</u>
Net cash provided (used) by operating activities	<u>35,631</u>	<u>34,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(83,264)</u>	<u>(65,485)</u>
Net cash provided (used) by capital and related financing activities	<u>(83,264)</u>	<u>(65,485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>-</u>	<u>68</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>68</u>
Net increase (decrease) in cash and cash equivalents	(47,633)	(31,392)
Cash and cash equivalents at beginning of year	<u>123,796</u>	<u>155,188</u>
Cash and cash equivalents at end of year	<u>\$ 76,163</u>	<u>\$ 123,796</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (76,306)	\$ (65,469)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	102,447	99,573
Changes in assets and liabilities		
(Increase) decrease in other receivables	983	(823)
Increase (decrease) in accounts payable	<u>8,507</u>	<u>744</u>
Total adjustments	<u>111,937</u>	<u>99,494</u>
Net cash provided (used) by operating activities	<u>\$ 35,631</u>	<u>\$ 34,025</u>

ENVIRONMENTAL SERVICES FUND

CITY OF VICTORIA, TEXAS
MAJOR ENTERPRISE FUND
ENVIRONMENTAL SERVICES FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,422,856	\$ 791,478
Investments	3,100,932	3,000,273
Receivables (net)		
Accounts	212,732	230,683
Other	52,059	218,064
Restricted assets		
Cash and cash equivalents	2,466,210	3,248,770
Investments	2,222,120	1,700,175
Total current assets	<u>9,476,909</u>	<u>9,189,443</u>
Noncurrent assets		
Capital assets		
Buildings	668,403	668,403
Infrastructure	1,504,801	1,504,801
Improvements other than buildings	542,111	560,577
Machinery and equipment	1,507,316	1,490,234
Total capital assets	4,222,631	4,224,015
Less accumulated depreciation	2,350,914	2,048,812
Subtotal	1,871,717	2,175,203
Land	799,931	799,931
Net capital assets	<u>2,671,648</u>	<u>2,975,134</u>
Total noncurrent assets	<u>2,671,648</u>	<u>2,975,134</u>
Total assets	<u>12,148,557</u>	<u>12,164,577</u>
LIABILITIES		
Current liabilities		
Accounts payable	139,944	132,900
Accrued expenses	53,291	52,922
Accrued compensated absences	525	784
Landfill closure cost	2,713,417	-
Due to other funds	20,449	2,207
Due to other governments	39,028	37,404
Due to component unit	25,062	24,397
Total current liabilities	<u>2,991,716</u>	<u>250,614</u>
Noncurrent liabilities		
Accrued compensated absences	44,283	51,417
Other post employment benefits payable	4,015	14,826
Estimated landfill closure and postclosure care cost	3,905,213	6,923,136
Total noncurrent liabilities	<u>3,953,511</u>	<u>6,989,379</u>
Total liabilities	<u>6,945,227</u>	<u>7,239,993</u>
NET POSITION		
Net investment in capital assets	2,671,648	2,975,134
Unrestricted, as restated	2,531,682	1,949,450
Total net position	<u>\$ 5,203,330</u>	<u>\$ 4,924,584</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Garbage fees	\$ 3,342,757	\$ 3,318,404
Other garbage fees	1,165,400	1,149,632
Miscellaneous	<u>535,626</u>	<u>528,093</u>
Total operating revenues	<u>5,043,783</u>	<u>4,996,129</u>
OPERATING EXPENSES		
Personnel	1,175,470	1,285,753
Materials and supplies	312,460	329,656
Maintenance	24,519	7,193
Heat, lights and power	16,987	18,777
Miscellaneous services	1,134,950	937,327
Contractual services	250,077	245,790
Computer services	33,011	28,583
Tipping fees	758,182	771,548
Landfill closure and postclosure care cost	166,022	183,610
Depreciation	<u>339,220</u>	<u>326,650</u>
Total operating expenses	<u>4,210,898</u>	<u>4,134,887</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	832,885	861,242
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of capital assets	(1,612)	(350)
Investment income	<u>19,333</u>	<u>20,441</u>
Net nonoperating revenues (expenses)	<u>17,721</u>	<u>20,091</u>
Income before transfers	850,606	881,333
Transfers		
Transfers out	<u>(571,860)</u>	<u>(571,860)</u>
Total transfers	<u>(571,860)</u>	<u>(571,860)</u>
Change in net position	278,746	309,473
Total net position at beginning of year, as restated	<u>4,924,584</u>	<u>4,615,111</u>
Total net position at end of year	<u>\$ 5,203,330</u>	<u>\$ 4,924,584</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,227,739	\$ 4,840,697
Cash paid to suppliers for goods and services	(2,992,046)	(2,292,808)
Cash paid to employees for services	<u>(1,193,305)</u>	<u>(1,269,402)</u>
Net cash provided (used) by operating activities	<u>1,042,388</u>	<u>1,278,487</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Borrowings from (to) other funds	18,242	2,207
Borrowings from (to) component unit	665	1,186
Transfers out to other funds	<u>(571,860)</u>	<u>(571,860)</u>
Net cash provided (used) by noncapital financing activities	<u>(552,953)</u>	<u>(568,467)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>(37,346)</u>	<u>(632,879)</u>
Net cash provided (used) by capital and related financing activities	<u>(37,346)</u>	<u>(632,879)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(18,492,399)	(4,700,448)
Proceeds from sales and maturities of investments	17,869,795	-
Investment income	<u>19,333</u>	<u>20,441</u>
Net cash provided (used) by investing activities	<u>(603,271)</u>	<u>(4,680,007)</u>
Net increase (decrease) in cash and cash equivalents	(151,182)	(4,602,866)
Cash and cash equivalents at beginning of year	<u>4,040,248</u>	<u>8,643,114</u>
Cash and cash equivalents at end of year	<u>\$ 3,889,066</u>	<u>\$ 4,040,248</u>

CITY OF VICTORIA, TEXAS

MAJOR ENTERPRISE FUND

ENVIRONMENTAL SERVICES FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 832,885	\$ 1,027,263
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	339,220	326,650
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	17,951	7,033
(Increase) decrease in other receivables	166,005	(162,465)
Increase (decrease) in accounts payable	7,044	61,881
Increase (decrease) in due to other governments	1,624	(15,815)
Increase (decrease) in accrued expenses	369	4,442
Increase (decrease) in compensated absences	(7,393)	2,062
Increase (decrease) in other post employment benefits payable	(10,811)	9,847
Increase (decrease) in landfill closure and postclosure care cost	<u>(304,506)</u>	<u>17,589</u>
Total adjustments	<u>209,503</u>	<u>251,224</u>
Net cash provided (used) by operating activities	<u>\$ 1,042,388</u>	<u>\$ 1,278,487</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, 2014

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 553,077	\$ 1,285,786	\$ 72,563
Investments	-	-	-
Receivables (net)			
Other	98,765	-	13,785
Due from other funds	-	-	-
Inventory	83,907	-	-
Restricted assets			
Cash and cash equivalents	-	-	-
Total current assets	<u>735,749</u>	<u>1,285,786</u>	<u>86,348</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	134,007	-	39,168
Buildings, improvements, and equipment (net)	<u>8,777,375</u>	<u>485,134</u>	<u>1,187,832</u>
Total noncurrent assets	<u>8,911,382</u>	<u>485,134</u>	<u>1,227,000</u>
Total assets	<u>9,647,131</u>	<u>1,770,920</u>	<u>1,313,348</u>
LIABILITIES			
Current liabilities			
Accounts payable	220,573	31,813	26,958
Accrued expenses	5,193	26,552	2,528
Due to other funds	5,464	5,584	-
Accrued compensated absences	7,570	25,835	3,688
Claims payable	-	-	-
Total current liabilities	<u>238,800</u>	<u>89,784</u>	<u>33,174</u>
Total liabilities	<u>238,800</u>	<u>89,784</u>	<u>33,174</u>
NET POSITION			
Net investment in capital assets	8,911,382	485,134	1,227,000
Unrestricted	<u>496,949</u>	<u>1,196,002</u>	<u>53,174</u>
Total net position	<u>\$ 9,408,331</u>	<u>\$ 1,681,136</u>	<u>\$ 1,280,174</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 61,661	\$ 102,469	\$ 310,960	\$ 102,419	\$ 1,787,870	\$ 4,276,805
-	-	100,030	-	4,145,355	4,245,385
145	26	-	2,236	156	115,113
-	-	-	-	679,822	679,822
80,987	-	-	19,975	-	184,869
-	-	<u>35,000</u>	-	-	<u>35,000</u>
<u>142,793</u>	<u>102,495</u>	<u>445,990</u>	<u>124,630</u>	<u>6,613,203</u>	<u>9,536,994</u>
-	-	-	-	-	173,175
<u>54,938</u>	<u>1,172</u>	<u>-</u>	<u>8,478</u>	<u>-</u>	<u>10,514,929</u>
<u>54,938</u>	<u>1,172</u>	<u>-</u>	<u>8,478</u>	<u>-</u>	<u>10,688,104</u>
<u>197,731</u>	<u>103,667</u>	<u>445,990</u>	<u>133,108</u>	<u>6,613,203</u>	<u>20,225,098</u>
3,407	2,292	12,352	5,398	4,310	307,103
7,676	4,705	-	4,139	-	50,793
-	-	-	4,445	-	15,493
11,102	3,840	-	1,502	-	53,537
-	-	<u>218,637</u>	-	<u>380,635</u>	<u>599,272</u>
<u>22,185</u>	<u>10,837</u>	<u>230,989</u>	<u>15,484</u>	<u>384,945</u>	<u>1,026,198</u>
<u>22,185</u>	<u>10,837</u>	<u>230,989</u>	<u>15,484</u>	<u>384,945</u>	<u>1,026,198</u>
54,938	1,172	-	8,478	-	10,688,104
<u>120,608</u>	<u>91,658</u>	<u>215,001</u>	<u>109,146</u>	<u>6,228,258</u>	<u>8,510,796</u>
<u>\$ 175,546</u>	<u>\$ 92,830</u>	<u>\$ 215,001</u>	<u>\$ 117,624</u>	<u>\$ 6,228,258</u>	<u>\$ 19,198,900</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, 2014

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
OPERATING REVENUES			
Charges for services	\$ 6,167,440	\$ 2,009,510	\$ 119,635
Miscellaneous	<u>88,418</u>	<u>127</u>	<u>-</u>
Total operating revenues	<u>6,255,858</u>	<u>2,009,637</u>	<u>119,635</u>
OPERATING EXPENSES			
Personnel	126,194	641,470	59,818
Materials and supplies	1,832,986	14,275	10,580
Maintenance	16,441	133,778	45,511
Heat, lights, and power	25,935	-	-
Reinsurance premiums	-	-	-
Miscellaneous services	552,060	128,521	26,658
Contractual services	1,095,493	39,960	13,870
Computer services	-	-	11,963
Court costs, judgments, and damages	-	-	-
Claims expense	-	-	-
Wellness program	-	-	-
Depreciation	<u>2,081,958</u>	<u>236,366</u>	<u>199,307</u>
Total operating expenses	<u>5,731,067</u>	<u>1,194,370</u>	<u>367,707</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	524,791	815,267	(248,072)
NONOPERATING REVENUES (EXPENSES)			
Investment income	266	378	77
Gain (loss) on disposition of capital assets	<u>(111,025)</u>	<u>-</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(110,759)</u>	<u>378</u>	<u>77</u>
Income (loss) before transfers	414,032	815,645	(247,995)
Transfers			
Transfers in	<u>-</u>	<u>-</u>	<u>9,877</u>
Total transfers	<u>-</u>	<u>-</u>	<u>9,877</u>
Change in net position	414,032	815,645	(238,118)
Total net position at beginning of year	<u>8,994,299</u>	<u>865,491</u>	<u>1,518,292</u>
Total net position at end of year	<u>\$ 9,408,331</u>	<u>\$ 1,681,136</u>	<u>\$ 1,280,174</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 200,062	\$ 468,030	\$ 220,000	\$ 146,520	\$ 5,808,575	\$ 15,139,772
<u>10,933</u>	<u>3,432</u>	<u>3,402</u>	<u>-</u>	<u>17,743</u>	<u>124,055</u>
<u>210,995</u>	<u>471,462</u>	<u>223,402</u>	<u>146,520</u>	<u>5,826,318</u>	<u>15,263,827</u>
180,951	106,315	-	112,749	-	1,227,497
3,388	1,268	-	2,602	-	1,865,099
865	-	-	22,866	-	219,461
4,304	-	-	-	-	30,239
-	452,407	-	-	532,574	984,981
19,765	18,970	-	15,728	-	761,702
-	11,355	-	-	359,236	1,519,914
30,358	11,963	-	5,836	-	60,120
-	10,836	-	-	-	10,836
-	-	163,675	-	4,962,746	5,126,421
-	-	-	-	13,894	13,894
<u>10,368</u>	<u>618</u>	<u>-</u>	<u>5,167</u>	<u>-</u>	<u>2,533,784</u>
<u>249,999</u>	<u>613,732</u>	<u>163,675</u>	<u>164,948</u>	<u>5,868,450</u>	<u>14,353,948</u>
(39,004)	(142,270)	59,727	(18,428)	(42,132)	909,879
-	-	148	-	17,519	18,388
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,025)</u>
<u>-</u>	<u>-</u>	<u>148</u>	<u>-</u>	<u>17,519</u>	<u>(92,637)</u>
(39,004)	(142,270)	59,875	(18,428)	(24,613)	817,242
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,877</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,877</u>
(39,004)	(142,270)	59,875	(18,428)	(24,613)	827,119
<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>
<u>\$ 175,546</u>	<u>\$ 92,830</u>	<u>\$ 215,001</u>	<u>\$ 117,624</u>	<u>\$ 6,228,258</u>	<u>\$ 19,198,900</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2014

	<u>V.E.S.</u>	<u>Information Technology</u>	<u>Communications</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 6,232,004	\$ 2,009,637	\$ 111,943
Cash paid to suppliers for goods and services	(3,646,588)	(285,375)	(87,666)
Cash paid to employees for services	(125,752)	(642,377)	(59,482)
Net cash provided (used) by operating activities	<u>2,459,664</u>	<u>1,081,885</u>	<u>(35,205)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	-	-	9,877
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>9,877</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,664,690)	(111,908)	-
Proceeds from sale of capital assets	110,449	-	-
Net cash provided (used) by capital and related financing activities	<u>(2,554,241)</u>	<u>(111,908)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from sales and maturities of investments	-	-	-
Investment income	266	378	77
Net cash provided (used) by investing activities	<u>266</u>	<u>378</u>	<u>77</u>
Net increase (decrease) in cash and cash equivalents	(94,311)	970,355	(25,251)
Cash and cash equivalents at beginning of year	<u>647,388</u>	<u>315,431</u>	<u>97,814</u>
Cash and cash equivalents at end of year	<u>\$ 553,077</u>	<u>\$ 1,285,786</u>	<u>\$ 72,563</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ 211,168	\$ 471,436	\$ 223,402	\$ 145,513	\$ 5,364,631	\$ 14,769,734
(64,600)	(510,682)	(195,460)	(50,533)	(5,848,054)	(10,688,958)
<u>(179,557)</u>	<u>(104,739)</u>	<u>-</u>	<u>(112,075)</u>	<u>-</u>	<u>(1,223,982)</u>
<u>(32,989)</u>	<u>(143,985)</u>	<u>27,942</u>	<u>(17,095)</u>	<u>(483,423)</u>	<u>2,856,794</u>
-	-	-	-	-	<u>9,877</u>
-	-	-	-	-	<u>9,877</u>
-	-	-	-	-	(2,776,598)
-	-	-	-	-	<u>110,449</u>
-	-	-	-	-	<u>(2,666,149)</u>
-	-	(100,000)	-	(5,360,696)	(5,460,696)
-	-	-	-	6,640,323	6,640,323
-	-	118	-	19,118	<u>19,957</u>
-	-	<u>(99,882)</u>	-	<u>1,298,745</u>	<u>1,199,584</u>
(32,989)	(143,985)	(71,940)	(17,095)	815,322	1,400,106
<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>
<u>\$ 61,661</u>	<u>\$ 102,469</u>	<u>\$ 345,960</u>	<u>\$ 102,419</u>	<u>\$ 1,787,870</u>	<u>\$ 4,311,805</u>

(continued)

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2014

	<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)	\$ 524,791	\$ 815,267	\$ (248,072)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	2,081,958	236,366	199,307
Changes in assets and liabilities			
(Increase) decrease in other receivables	(23,854)	-	(7,692)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in returned checks	-	-	-
(Increase) decrease in inventory	8,315	-	-
Increase (decrease) in accounts payable	(137,214)	26,282	20,916
Increase (decrease) in accrued expenses	386	(54)	336
Increase (decrease) in due to other funds	5,226	4,877	-
Increase (decrease) in compensated absences	56	(853)	-
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>1,934,873</u>	<u>266,618</u>	<u>212,867</u>
Net cash provided (used) by operating activities	<u>\$ 2,459,664</u>	<u>\$ 1,081,885</u>	<u>\$ (35,205)</u>

<u>Purchasing</u>	<u>Safety Management</u>	<u>Workers' Compensation</u>	<u>Print Shop</u>	<u>Employee Health Plan</u>	<u>Total</u>
\$ (39,004)	\$ (142,270)	\$ 59,727	\$ (18,428)	\$ (42,132)	\$ 909,879
10,368	618	-	5,167	-	2,533,784
173	(26)	-	(1,007)	63,397	30,991
-	-	-	-	(525,572)	(525,572)
-	-	-	-	488	488
(1,880)	-	-	(2,011)	-	4,424
(3,843)	(3,838)	(3,801)	(2,799)	4,050	(100,247)
602	335	-	157	-	1,762
(197)	(45)	-	1,309	-	11,170
792	1,241	-	517	-	1,753
-	-	(27,984)	-	16,346	(11,638)
<u>6,015</u>	<u>(1,715)</u>	<u>(31,785)</u>	<u>1,333</u>	<u>(441,291)</u>	<u>1,946,915</u>
<u>\$ (32,989)</u>	<u>\$ (143,985)</u>	<u>\$ 27,942</u>	<u>\$ (17,095)</u>	<u>\$ (483,423)</u>	<u>\$ 2,856,794</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, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 553,077	\$ 647,388
Receivables		
Other	98,765	74,911
Inventory	<u>83,907</u>	<u>92,222</u>
Total current assets	<u>735,749</u>	<u>814,521</u>
Noncurrent assets		
Capital assets		
Buildings	428,454	416,435
Infrastructure	93,179	93,179
Improvements other than buildings	10,659	10,659
Machinery and equipment	<u>20,691,413</u>	<u>18,924,230</u>
Total capital assets	21,223,705	19,444,503
Less accumulated depreciation	<u>12,446,330</u>	<u>11,028,386</u>
Subtotal	8,777,375	8,416,117
Land	<u>134,007</u>	<u>134,007</u>
Net capital assets	<u>8,911,382</u>	<u>8,550,124</u>
Total assets	<u>9,647,131</u>	<u>9,364,645</u>
LIABILITIES		
Current liabilities		
Accounts payable	220,573	357,787
Accrued expenses	5,193	4,807
Due to other funds	5,464	238
Accrued compensated absences	<u>7,570</u>	<u>7,514</u>
Total liabilities	<u>238,800</u>	<u>370,346</u>
NET POSITION		
Net investment in capital assets	8,911,382	8,550,124
Unrestricted	<u>496,949</u>	<u>444,175</u>
Total net position	<u>\$ 9,408,331</u>	<u>\$ 8,994,299</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 6,167,440	\$ 6,198,497
Miscellaneous	<u>88,418</u>	<u>116,731</u>
Total operating revenues	<u>6,255,858</u>	<u>6,315,228</u>
OPERATING EXPENSES		
Personnel	126,194	124,664
Materials and supplies	1,832,986	1,937,366
Maintenance	16,441	15,501
Heat, lights, and power	25,935	25,286
Miscellaneous services	552,060	487,317
Contractual services	1,095,493	971,095
Depreciation	<u>2,081,958</u>	<u>1,747,765</u>
Total operating expenses	<u>5,731,067</u>	<u>5,308,994</u>
Operating income (loss) before nonoperating revenues (expenses)	524,791	1,006,234
NONOPERATING REVENUES (EXPENSES)		
Investment income	266	1,032
Loss on disposition of capital assets	<u>(111,025)</u>	<u>(110,233)</u>
Net nonoperating revenues (expenses)	<u>(110,759)</u>	<u>(109,201)</u>
Change in net position	414,032	897,033
Total net position at beginning of year	<u>8,994,299</u>	<u>8,097,266</u>
Total net position at end of year	<u>\$ 9,408,331</u>	<u>\$ 8,994,299</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

V.E.S. FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 6,232,004	\$ 6,334,784
Cash paid to suppliers for goods and services	(3,646,588)	(3,158,965)
Cash paid to employees for services	(125,752)	(123,596)
Net cash provided (used) by operating activities	<u>2,459,664</u>	<u>3,052,223</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,664,690)	(3,131,212)
Proceeds from sale of capital assets	110,449	41,588
Net cash provided (used) by capital and related financing activities	<u>(2,554,241)</u>	<u>(3,089,624)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	266	1,032
Net increase (decrease) in cash and cash equivalents	(94,311)	(36,369)
Cash and cash equivalents at beginning of year	647,388	683,757
Cash and cash equivalents at end of year	<u>\$ 553,077</u>	<u>\$ 647,388</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 524,791	\$ 1,006,234
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	2,081,958	1,747,765
Changes in assets and liabilities		
(Increase) decrease in other receivables	(23,854)	19,556
(Increase) decrease in inventory	8,315	57,487
Increase (decrease) in accounts payable	(137,214)	219,875
Increase (decrease) in accrued expenses	386	467
Increase (decrease) in due to other funds	5,226	238
Increase (decrease) in compensated absences	56	601
Total adjustments	<u>1,934,873</u>	<u>2,045,989</u>
Net cash provided (used) by operating activities	<u>\$ 2,459,664</u>	<u>\$ 3,052,223</u>

INFORMATION TECHNOLOGY FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,285,786	\$ 315,431
Total current assets	<u>1,285,786</u>	<u>315,431</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,793,133	1,856,707
Total capital assets	<u>1,793,133</u>	<u>1,856,707</u>
Less accumulated depreciation	<u>1,307,999</u>	<u>1,247,115</u>
Net capital assets	<u>485,134</u>	<u>609,592</u>
Total assets	<u>1,770,920</u>	<u>925,023</u>
LIABILITIES		
Current liabilities		
Accounts payable	31,813	5,531
Accrued expenses	26,552	26,606
Due to other funds	5,584	707
Accrued compensated absences	<u>25,835</u>	<u>26,688</u>
Total liabilities	<u>89,784</u>	<u>59,532</u>
NET POSITION		
Net investment in capital assets	485,134	609,592
Unrestricted	<u>1,196,002</u>	<u>255,899</u>
Total net position	<u>\$ 1,681,136</u>	<u>\$ 865,491</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 2,009,510	\$ 1,032,898
Miscellaneous	<u>127</u>	<u>-</u>
Total operating revenues	<u>2,009,637</u>	<u>1,032,898</u>
OPERATING EXPENSES		
Personnel	641,470	654,463
Materials and supplies	14,275	19,521
Maintenance	133,778	120,391
Miscellaneous services	128,521	112,976
Contractual services	39,960	8,490
Depreciation	<u>236,366</u>	<u>249,826</u>
Total operating expenses	<u>1,194,370</u>	<u>1,165,667</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	815,267	(132,769)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>378</u>	<u>295</u>
Net nonoperating revenues (expenses)	<u>378</u>	<u>295</u>
Change in net position	815,645	(132,474)
Total net position at beginning of year	<u>865,491</u>	<u>997,965</u>
Total net position at end of year	<u>\$ 1,681,136</u>	<u>\$ 865,491</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
INFORMATION TECHNOLOGY FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 2,009,637	\$ 1,032,898
Cash paid to suppliers for goods and services	(285,375)	(296,309)
Cash paid to employees for services	(642,377)	(653,620)
Net cash provided (used) by operating activities	<u>1,081,885</u>	<u>82,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(111,908)	(148,124)
Net cash provided (used) by capital and related financing activities	<u>(111,908)</u>	<u>(148,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	378	295
Net cash provided (used) by investing activities	<u>378</u>	<u>295</u>
Net increase (decrease) in cash and cash equivalents	970,355	(64,860)
Cash and cash equivalents at beginning of year	<u>315,431</u>	<u>380,291</u>
Cash and cash equivalents at end of year	<u>\$ 1,285,786</u>	<u>\$ 315,431</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 815,267	\$ (132,769)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	236,366	249,826
Changes in assets and liabilities		
Increase (decrease) in accounts payable	26,282	(35,638)
Increase (decrease) in accrued expenses	(54)	2,105
Increase (decrease) in due to other funds	4,877	707
Increase (decrease) in compensated absences	(853)	(1,262)
Total adjustments	<u>266,618</u>	<u>215,738</u>
Net cash provided (used) by operating activities	<u>\$ 1,081,885</u>	<u>\$ 82,969</u>

COMMUNICATIONS FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
COMMUNICATIONS FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 72,563	\$ 97,814
Receivables		
Other	<u>13,785</u>	<u>6,093</u>
Total current assets	<u>86,348</u>	<u>103,907</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>2,623,611</u>	<u>2,424,304</u>
Subtotal	1,187,832	1,387,139
Land	<u>39,168</u>	<u>39,168</u>
Net capital assets	<u>1,227,000</u>	<u>1,426,307</u>
Total assets	<u>1,313,348</u>	<u>1,530,214</u>
LIABILITIES		
Current liabilities		
Accounts payable	26,958	6,042
Accrued expenses	2,528	2,192
Accrued compensated absences	<u>3,688</u>	<u>3,688</u>
Total liabilities	<u>33,174</u>	<u>11,922</u>
NET POSITION		
Net investment in capital assets	1,227,000	1,426,307
Unrestricted	<u>53,174</u>	<u>91,985</u>
Total net position	<u>\$ 1,280,174</u>	<u>\$ 1,518,292</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 119,635	\$ 216,364
OPERATING EXPENSES		
Personnel	59,818	56,309
Materials and supplies	10,580	9,948
Maintenance	45,511	277,581
Miscellaneous services	26,658	26,914
Contractual services	13,870	1,860
Computer services	11,963	10,358
Depreciation	199,307	200,750
Total operating expenses	<u>367,707</u>	<u>583,720</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	(248,072)	(367,356)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>77</u>	<u>204</u>
Net nonoperating revenues (expenses)	<u>77</u>	<u>204</u>
Income (loss) before transfers	<u>(247,995)</u>	<u>(367,152)</u>
Transfers		
Transfers in	<u>9,877</u>	<u>120,490</u>
Change in net position	(238,118)	(246,662)
Total net position at beginning of year	<u>1,518,292</u>	<u>1,764,954</u>
Total net position at end of year	<u>\$ 1,280,174</u>	<u>\$ 1,518,292</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

COMMUNICATIONS FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 111,943	\$ 338,400
Cash paid to suppliers for goods and services	(87,666)	(322,262)
Cash paid to employees for services	<u>(59,482)</u>	<u>(55,852)</u>
Net cash provided (used) by operating activities	<u>(35,205)</u>	<u>(39,714)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer in from other funds	<u>9,877</u>	<u>120,490</u>
Net cash provided (used) by noncapital financing activities	<u>9,877</u>	<u>120,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>77</u>	<u>204</u>
Net cash provided (used) by investing activities	<u>77</u>	<u>204</u>
Net increase (decrease) in cash and cash equivalents	(25,251)	80,980
Cash and cash equivalents at beginning of year	<u>97,814</u>	<u>16,834</u>
Cash and cash equivalents at end of year	<u><u>\$ 72,563</u></u>	<u><u>\$ 97,814</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (248,072)	\$ (367,356)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	199,307	200,750
Changes in assets and liabilities		
(Increase) decrease in other receivables	(7,692)	122,036
Increase (decrease) in accounts payable	20,916	4,399
Increase (decrease) in accrued expenses	336	213
Increase (decrease) in compensated absences	<u>-</u>	<u>244</u>
Total adjustments	<u>212,867</u>	<u>327,642</u>
Net cash provided (used) by operating activities	<u><u>\$ (35,205)</u></u>	<u><u>\$ (39,714)</u></u>

PURCHASING FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PURCHASING FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 61,661	\$ 94,650
Receivables		
Other	145	318
Inventory	<u>80,987</u>	<u>79,107</u>
Total current assets	<u>142,793</u>	<u>174,075</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>39,095</u>
Total capital assets	193,481	193,481
Less accumulated depreciation	<u>138,543</u>	<u>128,175</u>
Net capital assets	<u>54,938</u>	<u>65,306</u>
Total assets	<u>197,731</u>	<u>239,381</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,407	7,250
Accrued expenses	7,676	7,074
Due to other funds	-	197
Accrued compensated absences	<u>11,102</u>	<u>10,310</u>
Total liabilities	<u>22,185</u>	<u>24,831</u>
NET POSITION		
Net investment in capital assets	54,938	65,306
Unrestricted	<u>120,608</u>	<u>149,244</u>
Total net position	<u>\$ 175,546</u>	<u>\$ 214,550</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 200,062	\$ 200,056
Miscellaneous	<u>10,933</u>	<u>3,600</u>
Total operating revenues	<u>210,995</u>	<u>203,656</u>
OPERATING EXPENSES		
Personnel	180,951	174,274
Materials and supplies	3,388	4,109
Maintenance	865	999
Heat, lights, and power	4,304	4,994
Miscellaneous services	19,765	18,667
Computer services	30,358	26,286
Depreciation	<u>10,368</u>	<u>10,572</u>
Total operating expenses	<u>249,999</u>	<u>239,901</u>
Operating income (loss) before nonoperating revenues (expenses)	(39,004)	(36,245)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on disposition of capital assets	<u>-</u>	<u>67</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>67</u>
Change in net position	(39,004)	(36,178)
Total net position at beginning of year	<u>214,550</u>	<u>250,728</u>
Total net position at end of year	<u>\$ 175,546</u>	<u>\$ 214,550</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PURCHASING FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 211,168	\$ 203,696
Cash paid to suppliers for goods and services	(64,600)	(49,696)
Cash paid to employees for services	<u>(179,557)</u>	<u>(172,589)</u>
Net cash provided (used) by operating activities	<u>(32,989)</u>	<u>(18,589)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(7,539)
Proceeds from sale of capital assets	<u>-</u>	<u>67</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(7,472)</u>
Net increase (decrease) in cash and cash equivalents	(32,989)	(26,061)
Cash and cash equivalents at beginning of year	<u>94,650</u>	<u>120,711</u>
Cash and cash equivalents at end of year	<u>\$ 61,661</u>	<u>\$ 94,650</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (39,004)	\$ (36,245)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	10,368	10,572
Changes in assets and liabilities		
(Increase) decrease in other receivables	173	40
(Increase) decrease in inventory	(1,880)	4,915
Increase (decrease) in accounts payable	(3,843)	247
Increase (decrease) in accrued expenses	602	1,104
Increase (decrease) in due to other funds	(197)	197
Increase (decrease) in compensated absences	<u>792</u>	<u>581</u>
Total adjustments	<u>6,015</u>	<u>17,656</u>
Net cash provided (used) by operating activities	<u>\$ (32,989)</u>	<u>\$ (18,589)</u>

SAFETY MANAGEMENT FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
SAFETY MANAGEMENT FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 102,469	\$ 246,454
Receivables		
Other	<u>26</u>	<u>-</u>
Total current assets	<u>102,495</u>	<u>246,454</u>
Noncurrent assets		
Capital assets		
Buildings	973	973
Machinery and equipment	<u>14,604</u>	<u>15,540</u>
Total capital assets	<u>15,577</u>	<u>16,513</u>
Less accumulated depreciation	<u>14,405</u>	<u>14,723</u>
Net capital assets	<u>1,172</u>	<u>1,790</u>
Total assets	<u>103,667</u>	<u>248,244</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,292	6,130
Accrued expenses	4,705	4,370
Due to other funds	-	45
Accrued compensated absences	<u>3,840</u>	<u>2,599</u>
Total liabilities	<u>10,837</u>	<u>13,144</u>
NET POSITION		
Net investment in capital assets	1,172	1,790
Unrestricted	<u>91,658</u>	<u>233,310</u>
Total net position	<u>\$ 92,830</u>	<u>\$ 235,100</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 468,030	\$ 468,030
Miscellaneous	<u>3,432</u>	<u>27,556</u>
Total operating revenues	<u>471,462</u>	<u>495,586</u>
OPERATING EXPENSES		
Personnel	106,315	99,296
Materials and supplies	1,268	1,031
Reinsurance premiums	452,407	406,381
Miscellaneous services	18,970	17,848
Contractual services	11,355	8,206
Computer services	11,963	10,358
Court costs, judgments, and damages	10,836	9,329
Depreciation	<u>618</u>	<u>853</u>
Total operating expenses	<u>613,732</u>	<u>553,302</u>
Operating income (loss) before nonoperating revenues (expenses)	(142,270)	(57,716)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>-</u>	<u>225</u>
Net nonoperating revenues (expenses)	<u>-</u>	<u>225</u>
Change in net position	(142,270)	(57,491)
Total net position at beginning of year	<u>235,100</u>	<u>292,591</u>
Total net position at end of year	<u>\$ 92,830</u>	<u>\$ 235,100</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

SAFETY MANAGEMENT FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 471,436	\$ 495,586
Cash paid to suppliers for goods and services	(510,682)	(448,325)
Cash paid to employees for services	(104,739)	(100,418)
Net cash provided (used) by operating activities	<u>(143,985)</u>	<u>(53,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	-	225
Net cash provided (used) by investing activities	<u>-</u>	<u>225</u>
Net increase (decrease) in cash and cash equivalents	(143,985)	(52,932)
Cash and cash equivalents at beginning of year	<u>246,454</u>	<u>299,386</u>
Cash and cash equivalents at end of year	<u>\$ 102,469</u>	<u>\$ 246,454</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (142,270)	\$ (57,716)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	618	853
Changes in assets and liabilities		
(Increase) decrease in other receivables	(26)	-
Increase (decrease) in accounts payable	(3,838)	4,783
Increase (decrease) in accrued expenses	335	554
Increase (decrease) in due to other funds	(45)	45
Increase (decrease) in compensated absences	1,241	(1,676)
Total adjustments	<u>(1,715)</u>	<u>4,559</u>
Net cash provided (used) by operating activities	<u>\$ (143,985)</u>	<u>\$ (53,157)</u>

WORKERS' COMPENSATION FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 310,960	\$ 392,900
Investments	100,030	-
Restricted assets		
Cash and cash equivalents	<u>35,000</u>	<u>25,000</u>
Total assets	<u>445,990</u>	<u>417,900</u>
LIABILITIES		
Current liabilities		
Accounts payable	12,352	16,153
Claims payable	<u>218,637</u>	<u>246,621</u>
Total liabilities	<u>230,989</u>	<u>262,774</u>
NET POSITION		
Unrestricted	<u>215,001</u>	<u>155,126</u>
Total net position	<u>\$ 215,001</u>	<u>\$ 155,126</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 220,000	\$ 100,000
Miscellaneous	<u>3,402</u>	<u>25,724</u>
Total operating revenues	<u>223,402</u>	<u>125,724</u>
OPERATING EXPENSES		
Claims expense	<u>163,675</u>	<u>150,572</u>
Total operating expenses	<u>163,675</u>	<u>150,572</u>
Operating income (loss) before nonoperating revenues (expenses)	59,727	(24,848)
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>148</u>	<u>533</u>
Change in net position	59,875	(24,315)
Total net position at beginning of year	<u>155,126</u>	<u>179,441</u>
Total net position at end of year	<u>\$ 215,001</u>	<u>\$ 155,126</u>

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
WORKERS' COMPENSATION FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2014
With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 223,402	\$ 125,724
Cash paid to suppliers for goods and services	<u>(195,460)</u>	<u>(247,429)</u>
Net cash provided (used) by operating activities	<u>27,942</u>	<u>(121,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(100,000)	-
Investment income	<u>118</u>	<u>533</u>
Net cash provided (used) by investing activities	<u>(99,882)</u>	<u>533</u>
Net increase (decrease) in cash and cash equivalents	(71,940)	(121,172)
Cash and cash equivalents at beginning of year	<u>417,900</u>	<u>539,072</u>
Cash and cash equivalents at end of year	<u>\$ 345,960</u>	<u>\$ 417,900</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 59,727	\$ (24,848)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Increase (decrease) in accounts payable	(3,801)	(5,088)
Increase (decrease) in claims payable	<u>(27,984)</u>	<u>(91,769)</u>
Total adjustments	<u>(31,785)</u>	<u>(96,857)</u>
Net cash provided (used) by operating activities	<u>\$ 27,942</u>	<u>\$ (121,705)</u>

PRINT SHOP FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
PRINT SHOP FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 102,419	\$ 119,514
Receivables		
Other	2,236	1,229
Inventory	<u>19,975</u>	<u>17,964</u>
Total current assets	<u>124,630</u>	<u>138,707</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	88,353	95,561
Less accumulated depreciation	<u>79,875</u>	<u>81,916</u>
Net capital assets	<u>8,478</u>	<u>13,645</u>
Total assets	<u>133,108</u>	<u>152,352</u>
LIABILITIES		
Current liabilities		
Accounts payable	5,398	8,197
Accrued expenses	4,139	3,982
Due to other funds	4,445	193
Accrued compensated absences	<u>1,502</u>	<u>3,928</u>
Total liabilities	<u>15,484</u>	<u>16,300</u>
NET POSITION		
Net investment in capital assets	8,478	13,645
Unrestricted	<u>109,146</u>	<u>122,407</u>
Total net position	<u>\$ 117,624</u>	<u>\$ 136,052</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, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 146,520	\$ 143,345
OPERATING EXPENSES		
Personnel	112,749	105,481
Materials and supplies	2,602	3,498
Maintenance	22,866	12,321
Miscellaneous services	15,728	15,320
Computer services	5,836	5,053
Depreciation	<u>5,167</u>	<u>6,419</u>
Total operating expenses	<u>164,948</u>	<u>148,092</u>
Operating income (loss) before nonoperating revenues (expenses)	(18,428)	(4,747)
NONOPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>
Change in net position	(18,428)	(4,747)
Total net position at beginning of year	<u>136,052</u>	<u>140,799</u>
Total net position at end of year	<u>\$ 117,624</u>	<u>\$ 136,052</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

PRINT SHOP FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 145,513	\$ 144,910
Cash paid to suppliers for goods and services	(50,533)	(27,503)
Cash paid to employees for services	<u>(112,075)</u>	<u>(105,051)</u>
Net cash provided (used) by operating activities	<u>(17,095)</u>	<u>12,356</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	<u>-</u>	<u>(1,070)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,070)</u>
Net increase (decrease) in cash and cash equivalents	(17,095)	11,286
Cash and cash equivalents at beginning of year	<u>119,514</u>	<u>108,228</u>
Cash and cash equivalents at end of year	<u>\$ 102,419</u>	<u>\$ 119,514</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (18,428)	\$ (4,747)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	5,167	6,419
Changes in assets and liabilities		
(Increase) decrease in other receivables	(1,007)	1,565
(Increase) decrease in inventory	(2,011)	4,969
Increase (decrease) in accounts payable	(2,799)	3,527
Increase (decrease) in accrued expenses	157	430
Increase (decrease) in due to other funds	1,309	193
Increase (decrease) in compensated absences	<u>517</u>	<u>-</u>
Total adjustments	<u>1,333</u>	<u>17,103</u>
Net cash provided (used) by operating activities	<u>\$ (17,095)</u>	<u>\$ 12,356</u>

EMPLOYEE HEALTH PLAN FUND

CITY OF VICTORIA, TEXAS
INTERNAL SERVICE FUND
EMPLOYEE HEALTH PLAN FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,787,870	\$ 972,548
Investments	4,145,355	5,424,982
Receivables		
Other	156	65,152
Due from other funds	679,822	154,250
Returned checks	-	488
Total assets	<u>6,613,203</u>	<u>6,617,420</u>
LIABILITIES		
Current liabilities		
Accounts payable	4,310	260
Claims payable	380,635	364,289
Total liabilities	<u>384,945</u>	<u>364,549</u>
NET POSITION		
Unrestricted	<u>6,228,258</u>	<u>6,252,871</u>
Total net position	<u>\$ 6,228,258</u>	<u>\$ 6,252,871</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, 2014

With comparative totals for year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for services	\$ 5,808,575	\$ 6,259,274
Miscellaneous	<u>17,743</u>	<u>32,513</u>
Total operating revenues	<u>5,826,318</u>	<u>6,291,787</u>
OPERATING EXPENSES		
Reinsurance premiums	532,574	477,563
Contractual services	359,236	305,606
Claims expense	4,962,746	5,380,302
Wellness program	<u>13,894</u>	<u>18,414</u>
Total operating expenses	<u>5,868,450</u>	<u>6,181,885</u>
Operating income (loss) before nonoperating revenues (expenses)	(42,132)	109,902
NONOPERATING REVENUES (EXPENSES)		
Investment income	<u>17,519</u>	<u>13,539</u>
Net nonoperating revenues (expenses)	<u>17,519</u>	<u>13,539</u>
Change in net position	(24,613)	123,441
Total net position at beginning of year	<u>6,252,871</u>	<u>6,129,430</u>
Total net position at end of year	<u>\$ 6,228,258</u>	<u>\$ 6,252,871</u>

CITY OF VICTORIA, TEXAS

INTERNAL SERVICE FUND

EMPLOYEE HEALTH PLAN FUND

STATEMENT OF CASH FLOWS

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from other funds	\$ 5,364,631	\$ 6,127,970
Cash paid to suppliers for goods and services	<u>(5,848,054)</u>	<u>(6,097,575)</u>
Net cash provided (used) by operating activities	<u>(483,423)</u>	<u>30,395</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,360,696)	(9,168,295)
Proceeds from sales and maturities of investments	6,640,323	3,743,313
Investment income	<u>19,118</u>	<u>11,940</u>
Net cash provided (used) by investing activities	<u>1,298,745</u>	<u>(5,413,042)</u>
Net increase (decrease) in cash and cash equivalents	815,322	(5,382,647)
Cash and cash equivalents at beginning of year	<u>972,548</u>	<u>6,355,195</u>
Cash and cash equivalents at end of year	<u>\$ 1,787,870</u>	<u>\$ 972,548</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (42,132)	\$ 109,902
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Changes in assets and liabilities		
(Increase) decrease in other receivables	63,397	(9,079)
(Increase) decrease in due from other funds	(525,572)	(154,250)
(Increase) decrease in returned checks	488	(488)
Increase (decrease) in accounts payable	4,050	(4,025)
Increase (decrease) in claims payable	<u>16,346</u>	<u>88,335</u>
Total adjustments	<u>(441,291)</u>	<u>(79,507)</u>
Net cash provided (used) by operating activities	<u>\$ (483,423)</u>	<u>\$ 30,395</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, 2014*

	<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	\$ 57,862	\$ 3,923,594	\$ 3,707,363	\$ 274,093
Receivables (net)	<u>1,000</u>	<u>500</u>	<u>1,000</u>	<u>500</u>
Total assets	<u>\$ 58,862</u>	<u>\$ 3,924,094</u>	<u>\$ 3,708,363</u>	<u>\$ 274,593</u>
Liabilities				
Accounts payable	\$ 391	\$ 95,150	\$ 93,640	\$ 1,901
Due to other agencies	<u>58,471</u>	<u>1,078,144</u>	<u>863,923</u>	<u>272,692</u>
Total liabilities	<u>\$ 58,862</u>	<u>\$ 1,173,294</u>	<u>\$ 957,563</u>	<u>\$ 274,593</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	183
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	197
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.....	209
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	218
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	220

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 61,535,936	\$ 68,885,648	\$ 81,674,543	\$ 90,954,312
Restricted	1,270,596	1,173,690	1,696,525	1,838,427
Unrestricted	<u>23,093,045</u>	<u>23,686,971</u>	<u>22,718,779</u>	<u>24,267,168</u>
Total governmental activities net position	<u>\$ 85,899,577</u>	<u>\$ 93,746,309</u>	<u>\$ 106,089,847</u>	<u>\$ 117,059,907</u>
Business-type activities				
Net investment in capital assets	\$ 29,115,974	\$ 33,504,794	\$ 33,129,491	\$ 37,957,306
Unrestricted	<u>16,655,572</u>	<u>15,904,762</u>	<u>12,929,543</u>	<u>12,557,448</u>
Total business-type activities net position	<u>\$ 45,771,546</u>	<u>\$ 49,409,556</u>	<u>\$ 46,059,034</u>	<u>\$ 50,514,754</u>
Primary Government				
Net investment in capital assets	\$ 90,651,910	\$ 102,390,442	\$ 114,804,034	\$ 128,911,618
Restricted	1,270,596	1,173,690	1,696,525	1,838,427
Unrestricted	<u>39,748,617</u>	<u>39,591,733</u>	<u>35,648,322</u>	<u>36,824,616</u>
Total primary government activities net position	<u>\$ 131,671,123</u>	<u>\$ 143,155,865</u>	<u>\$ 152,148,881</u>	<u>\$ 167,574,661</u>

(1) Accrual basis of accounting

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 103,076,382	\$ 101,134,927	\$ 96,662,568	\$ 92,513,084	\$ 94,905,320	\$ 88,654,073
1,699,737	3,582,920	4,685,266	2,919,609	3,500,017	3,524,554
25,988,151	26,775,847	19,134,765	21,378,976	18,196,626	21,472,040
<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>	<u>\$ 113,650,667</u>
\$ 37,535,371	\$ 38,241,963	\$ 42,657,025	\$ 47,433,497	\$ 53,705,125	\$ 60,853,934
16,284,572	14,932,212	17,370,233	18,648,788	17,552,820	14,140,873
<u>\$ 53,819,943</u>	<u>\$ 53,174,175</u>	<u>\$ 60,027,258</u>	<u>\$ 66,082,285</u>	<u>\$ 71,257,945</u>	<u>\$ 74,994,807</u>
\$ 140,611,753	\$ 139,376,890	\$ 139,319,593	\$ 139,946,581	\$ 148,610,445	\$ 149,508,007
1,699,737	3,582,920	4,685,266	2,919,609	3,500,017	3,524,554
42,272,723	41,708,059	36,504,998	40,027,764	35,749,446	35,612,913
<u>\$ 184,584,213</u>	<u>\$ 184,667,869</u>	<u>\$ 180,509,857</u>	<u>\$ 182,893,954</u>	<u>\$ 187,859,908</u>	<u>\$ 188,645,474</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Expenses				
General government	\$ 7,186,520	\$ 6,938,465	\$ 6,309,381	\$ 6,931,856
Public safety	20,714,077	21,069,293	21,011,764	21,735,079
Development	7,102,676	7,043,318	6,536,201	7,823,283
Building services	-	-	-	-
Recreation	4,142,411	4,355,134	4,567,261	5,103,708
Interest on long-term debt	2,116,958	2,697,616	3,045,176	3,292,118
Total expenses	<u>41,262,642</u>	<u>42,103,826</u>	<u>41,469,783</u>	<u>44,886,044</u>
Program revenues				
Charges for services				
General government	1,481,442	1,561,043	1,500,177	1,984,766
Public safety	3,449,535	3,438,132	3,462,799	5,061,946
Development	-	-	1,764	-
Recreation	1,096,961	1,116,400	1,291,701	199,493
Operating grants and contributions	1,646,050	1,484,178	1,483,014	1,782,897
Capital grants and contributions	1,372,520	3,949,167	205,606	4,000,000
Total program revenues	<u>9,046,508</u>	<u>11,548,920</u>	<u>7,945,061</u>	<u>13,029,102</u>
Total governmental activities net program (expense) revenue	(32,216,134)	(30,554,906)	(33,524,722)	(31,856,942)
General revenues and other changes in net position				
Taxes				
Property taxes	15,598,891	16,031,334	17,365,758	18,731,119
Sales taxes	10,954,207	12,223,392	13,028,689	13,545,220
Franchise taxes	4,532,668	4,807,526	4,887,453	4,678,027
Other taxes	883,957	993,013	1,127,701	1,306,496
Unrestricted investment earnings	821,776	1,924,805	2,333,774	2,062,275
Gain (loss) on disposition of capital assets	(90,444)	(52,797)	(153,537)	-
Miscellaneous	577,513	707,809	987,575	577,458
Payments from component units	-	-	-	-
Transfers	2,223,481	2,284,100	6,290,847	1,674,251
Total general revenues and other changes in net position	<u>35,502,049</u>	<u>38,919,182</u>	<u>45,868,260</u>	<u>42,574,846</u>
Total governmental activities change in net position	<u>\$ 3,285,915</u>	<u>\$ 8,364,276</u>	<u>\$ 12,343,538</u>	<u>\$ 10,717,904</u>

(1) Accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 7,644,809	\$ 7,634,811	\$ 8,885,981	\$ 7,882,287	\$ 5,709,668	\$ 6,094,985
23,007,338	24,156,480	24,668,502	26,018,770	25,215,002	25,286,282
7,914,392	14,827,929	26,226,457	17,974,898	19,282,345	20,425,736
-	-	-	-	622,921	608,534
5,127,406	5,358,952	5,579,848	6,366,709	7,025,377	7,602,241
3,200,423	4,562,764	4,187,138	4,465,314	3,971,377	4,282,847
<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>	<u>64,300,625</u>
2,559,383	2,411,387	2,571,837	3,086,126	2,216,473	2,088,907
3,830,282	3,549,406	3,720,774	4,055,811	4,009,925	4,573,392
-	-	-	-	-	10,440
300,970	311,471	375,573	422,205	575,059	451,590
1,802,260	2,868,795	3,961,041	2,419,230	2,580,598	3,255,156
<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>-</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>	<u>10,379,485</u>
(27,977,026)	(43,564,895)	(56,320,064)	(51,417,057)	(47,694,914)	(53,921,140)
19,676,691	20,178,350	20,330,192	20,855,303	20,848,132	22,403,124
13,046,352	11,978,185	14,768,729	17,533,000	17,516,177	17,692,397
4,657,347	4,665,101	4,761,009	4,981,674	5,136,247	5,308,414
1,127,564	1,196,969	1,661,740	2,116,093	1,993,357	2,037,318
792,410	305,323	128,013	98,042	92,079	130,688
-	-	-	-	-	-
715,111	1,084,532	1,113,342	742,520	829,767	809,043
-	-	-	-	-	-
<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>2,588,860</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>50,969,844</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>	<u>\$ (2,951,296)</u>

(continued)

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

	Fiscal Year			
	2005	2006	2007	2008
Business-type activities				
Expenses				
Water/wastewater	\$ 16,490,646	\$ 17,110,109	\$ 17,796,972	\$ 18,715,248
Environmental services	3,905,166	3,878,901	3,910,749	5,024,014
Other	575,023	652,407	644,320	884,680
Total expenses	<u>20,970,835</u>	<u>21,641,417</u>	<u>22,352,041</u>	<u>24,623,942</u>
Program revenues				
Charges for services				
Water/wastewater	18,328,875	19,465,995	19,097,742	20,997,411
Environmental services	4,201,109	4,277,226	4,319,074	6,726,226
Other	320,235	338,111	346,655	480,797
Operating grants and contributions	-	-	-	-
Capital grants and contributions	214,564	2,722,436	774,028	1,800,876
Total program revenues	<u>23,064,783</u>	<u>26,803,768</u>	<u>24,537,499</u>	<u>30,005,310</u>
Total business-type activities net program (expense) revenue	2,093,948	5,162,351	2,185,458	5,381,368
General revenues and other changes in net position				
Unrestricted investment earnings	436,387	713,215	812,815	748,603
Gain (loss) on disposition of capital assets	(371,506)	(41,675)	(194,343)	-
Miscellaneous	-	88,219	136,395	-
Transfers	(2,223,481)	(2,284,100)	(6,290,847)	(1,674,251)
Total general revenues and other changes in net position	<u>(2,158,600)</u>	<u>(1,524,341)</u>	<u>(5,535,980)</u>	<u>(925,648)</u>
Total business-type activities change in net position	<u>\$ (64,652)</u>	<u>\$ 3,638,010</u>	<u>\$ (3,350,522)</u>	<u>\$ 4,455,720</u>
Total primary government change in net position	<u>\$ 3,221,263</u>	<u>\$ 12,002,286</u>	<u>\$ 8,993,016</u>	<u>\$ 15,173,624</u>

(1) Accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 19,175,705	\$ 18,589,868	\$ 18,628,230	\$ 18,694,233	\$ 19,313,776	\$ 20,553,362
3,790,348	3,182,201	3,219,898	3,849,208	4,135,237	4,212,510
790,005	848,161	813,330	848,712	926,599	923,786
<u>23,756,058</u>	<u>22,620,230</u>	<u>22,661,458</u>	<u>23,392,153</u>	<u>24,375,612</u>	<u>25,689,658</u>
22,889,967	21,973,303	24,086,400	24,029,096	24,816,749	25,151,264
4,245,528	4,128,139	4,462,994	4,799,682	4,996,129	5,043,783
564,531	425,929	339,623	397,531	397,968	395,088
54,826	-	-	-	-	-
705,899	284,490	3,127,754	2,875,295	6,099,555	1,374,311
<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>31,964,446</u>
4,704,693	4,191,631	9,355,313	8,709,451	11,934,789	6,274,788
266,410	48,460	43,714	60,423	57,555	50,934
-	-	-	-	-	-
-	-	-	-	629,420	-
<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>(2,588,860)</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>(2,537,926)</u>
\$ <u>3,305,189</u>	\$ <u>(645,768)</u>	\$ <u>6,853,083</u>	\$ <u>6,288,334</u>	\$ <u>10,060,004</u>	\$ <u>3,736,862</u>
\$ <u>17,009,552</u>	\$ <u>83,656</u>	\$ <u>(4,158,012)</u>	\$ <u>3,679,449</u>	\$ <u>11,342,609</u>	\$ <u>785,566</u>

(concluded)

CITY OF VICTORIA, TEXAS

PROGRAM REVENUES BY FUNCTION/PROGRAM (1)

Last ten fiscal years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
General government	\$ 3,806,589	\$ 3,658,884	\$ 2,599,379	\$ 4,342,863
Public safety				
Police	2,006,081	1,964,931	1,819,087	548,526
Fire	477,883	443,096	338,684	2,125,551
Ambulance	1,403,857	1,499,431	1,450,870	1,448,287
Other	230,873	56,394	232,401	339,910
Development	-	2,794,733	161,801	4,000,000
Recreation				
Parks	30,534	32,453	33,906	136,490
Library	1,006,914	1,027,126	1,183,038	86,475
Other	83,777	71,872	125,895	1,000
Subtotal governmental activities	<u>9,046,508</u>	<u>11,548,920</u>	<u>7,945,061</u>	<u>13,029,102</u>
Business-type activities				
Water/wastewater	18,543,439	22,188,431	19,855,925	22,798,287
Environmental services	4,201,109	4,277,226	4,319,074	6,726,226
Community center	151,915	169,040	230,517	224,297
700 main center	168,320	169,071	131,983	247,701
Education & government channel	-	-	-	8,799
Subtotal business-type activities	<u>23,064,783</u>	<u>26,803,768</u>	<u>24,537,499</u>	<u>30,005,310</u>
Total primary government	<u>\$ 32,111,291</u>	<u>\$ 38,352,688</u>	<u>\$ 32,482,560</u>	<u>\$ 43,034,412</u>

(1) Accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 3,959,110	\$ 3,676,509	\$ 4,165,588	\$ 4,061,019	\$ 3,390,820	\$ 3,346,359
562,958	1,754,661	1,104,800	1,110,570	1,608,173	1,912,010
1,498,958	2,147,401	1,673,163	1,649,689	1,400,000	1,400,000
1,997,342	2,367,421	2,022,130	1,960,248	1,530,652	1,511,622
140,475	12,684	173,514	81,830	47,314	57,182
10,410,473	2,667,991	3,297,208	1,381,185	5,392,128	1,645,959
144,192	224,017	639,063	655,488	257,374	76,836
79,009	90,592	87,526	74,431	75,429	88,191
<u>124,825</u>	<u>34,765</u>	<u>64,870</u>	<u>316,461</u>	<u>429,886</u>	<u>341,326</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>	<u>10,379,485</u>
23,595,866	22,246,356	27,214,154	26,904,391	30,916,304	26,525,575
4,245,528	4,128,139	4,462,994	4,799,682	4,996,129	5,043,783
267,761	222,105	240,429	245,895	246,453	243,548
351,596	215,261	99,194	151,636	151,515	151,540
-	-	-	-	-	-
<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>31,964,446</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>	<u>\$ 42,343,931</u>

CITY OF VICTORIA, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable				
Inventory	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Encumbrances	2,325,502	1,957,344	2,841,648	3,790,753
Inventory	-	-	-	252,156
Unreserved	<u>8,063,890</u>	<u>8,722,939</u>	<u>12,041,754</u>	<u>11,055,775</u>
Total general fund	<u>\$ 10,389,392</u>	<u>\$ 10,680,283</u>	<u>\$ 14,883,402</u>	<u>\$ 15,098,684</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	4,673,438	9,768,774	22,936,937	10,449,047
Unreserved, reported in				
Special revenue funds	501,201	617,155	782,553	786,064
Debt service fund	903,386	801,189	933,505	1,185,901
Capital project funds	<u>21,409,866</u>	<u>21,526,958</u>	<u>2,858,366</u>	<u>11,722,400</u>
Total all other governmental funds	<u>\$ 27,487,891</u>	<u>\$ 32,714,076</u>	<u>\$ 27,511,361</u>	<u>\$ 24,143,412</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					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ 315,614	\$ 314,846	\$ 240,214	\$ 268,964
-	-	1,570,456	1,961,362	2,331,578	2,689,089
-	-	14,342,229	16,846,702	15,289,711	15,330,199
2,007,737	2,009,003	-	-	-	-
280,174	205,798	-	-	-	-
<u>12,913,370</u>	<u>11,937,105</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>	<u>\$ 18,288,252</u>
\$ -	\$ -	\$ 953,394	\$ 977,452	\$ 1,222,778	\$ 1,091,077
-	-	16,102,523	4,323,282	2,729,133	8,566,369
-	-	352,694	110,486	46,195	25,614
-	-	1,029,173	1,619,141	1,835,515	1,880,440
-	-	135,328	226,919	257,161	225,488
-	-	96,783	66,220	53,884	94,264
1,869,318	29,200,456	-	-	-	-
753,475	654,310	-	-	-	-
1,197,665	1,024,126	-	-	-	-
<u>12,370,240</u>	<u>6,088,406</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>	<u>\$ 11,883,252</u>

CITY OF VICTORIA, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 32,187,110	\$ 34,415,212	\$ 36,551,459	\$ 38,384,785
Licenses and permits	595,288	704,596	727,532	787,190
Intergovernmental	4,715,501	4,454,844	3,325,215	4,411,652
Charges for services	1,490,281	1,639,480	1,697,048	1,764,291
Fines and forfeitures	1,331,397	1,289,136	1,413,887	1,254,294
Investment income	790,078	1,855,480	2,436,372	1,852,377
Miscellaneous	261,771	3,164,484	757,739	4,559,666
Total revenues	<u>41,371,426</u>	<u>47,523,232</u>	<u>46,909,252</u>	<u>53,014,255</u>
Expenditures				
Current				
General government	6,796,494	6,883,983	5,634,109	6,162,416
Public safety	20,489,310	21,195,636	21,705,108	25,752,199
Development	5,586,168	5,506,925	4,882,077	4,961,785
Building services	-	-	-	-
Recreation	4,413,818	4,872,862	4,825,620	5,952,544
Capital outlay	6,669,082	9,815,300	11,154,436	18,826,980
Debt service				
Principal retirement	3,090,000	3,200,000	3,150,000	3,325,000
Interest and fiscal charges	1,956,240	2,534,977	2,824,445	3,117,121
Paying agents' fees and issue costs	710,900	179,670	23,900	185,803
Total expenditures	<u>49,712,012</u>	<u>54,189,353</u>	<u>54,199,695</u>	<u>68,283,848</u>
Excess (deficiency) of revenues over expenditures	(8,340,586)	(6,666,121)	(7,290,443)	(15,269,593)
Other financing sources (uses)				
Bonds issued	36,640,240	9,880,000	-	9,995,000
Premium on issuance of bonds	-	119,097	-	195,519
Payment to escrow	(21,585,103)	-	-	-
Transfers in	2,989,580	5,488,240	6,902,090	2,641,257
Transfers out	(966,099)	(3,304,140)	(611,243)	(967,006)
Total other financing sources (uses)	<u>17,078,618</u>	<u>12,183,197</u>	<u>6,290,847</u>	<u>11,864,770</u>
Change in fund balances	<u>\$ 8,738,032</u>	<u>\$ 5,517,076</u>	<u>\$ (999,596)</u>	<u>\$ (3,404,823)</u>
Debt service as a percentage of noncapital expenditures	<u>12.93%</u>	<u>14.32%</u>	<u>15.07%</u>	<u>14.43%</u>

(1) Modified accrual basis of accounting

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 38,607,055	\$ 38,100,542	\$ 41,747,689	\$ 45,781,292	\$ 45,431,594	\$ 47,356,786
654,842	662,792	654,829	842,050	962,217	1,134,453
4,127,236	6,923,780	5,568,731	4,740,048	4,312,719	3,721,314
2,020,751	1,957,973	2,108,045	2,261,037	2,066,070	2,162,871
1,025,175	913,478	871,159	1,216,786	906,199	1,600,630
654,772	156,822	113,446	78,076	76,251	112,300
10,580,086	1,628,730	3,512,629	1,470,793	5,688,203	2,003,817
<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>	<u>58,092,171</u>
7,079,966	6,842,991	7,691,966	6,600,564	4,741,811	5,309,532
25,516,863	26,475,134	25,970,544	26,151,196	25,097,350	25,206,138
6,319,245	4,533,558	17,378,572	9,134,802	10,209,543	10,704,794
-	-	-	-	751,312	606,761
5,758,754	5,787,081	5,473,792	6,564,863	7,586,352	7,632,206
16,355,509	10,862,646	18,889,663	13,249,019	7,707,932	4,516,213
3,805,000	3,390,000	3,715,000	3,990,000	4,665,000	5,410,000
3,057,924	4,103,879	4,037,313	4,340,073	3,567,975	4,103,190
32,687	681,114	203,809	205,798	393,724	162,207
<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>	<u>63,651,041</u>
(10,256,031)	(12,332,286)	(28,784,131)	(13,846,233)	(5,277,746)	(5,558,870)
-	35,045,000	9,740,000	7,720,000	25,015,000	9,095,000
-	515,234	97,204	71,752	2,163,159	50,222
-	(8,985,582)	-	(3,867,191)	(26,781,924)	-
5,691,053	7,275,415	10,568,226	5,207,042	5,540,057	5,984,682
<u>(3,285,139)</u>	<u>(1,790,556)</u>	<u>(7,842,309)</u>	<u>(2,699,610)</u>	<u>(3,098,787)</u>	<u>(3,405,699)</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>11,724,205</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>\$ 6,165,335</u>
<u>14.76%</u>	<u>14.98%</u>	<u>12.85%</u>	<u>16.05%</u>	<u>15.98%</u>	<u>17.46%</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>
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
2014	22,123,371	220,286	5,308,414	17,692,397	1,936,667
Change 2005-2014	41.98%	-6.02%	17.11%	61.51%	146.16%

(1) Modified accrual basis of accounting

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

Occupancy tax revenues increased in fiscal years 2011 and 2012 due mainly to the addition of new hotels within the City of Victoria, as well as increase in occupancy rates due largely to the Eagle Ford Shale activity in the area. Fiscal year 2013 ended with a decrease due mainly to the leveling off of the Eagle Ford Shale activity; with companies utilizing other long-term options of lodging. Fiscal year 2014 ended with a slight increase over fiscal year 2013 with the addition of three hotels.

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 2014, 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>
\$ 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
75,651	47,356,786
-22.19%	47.13%

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
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	2,078,252,831	892,656,818	40,818,468	979,758,910	14,320,720
2014	2013	2,317,499,266	936,587,850	39,292,957	1,160,993,128	15,070,980

(1) Includes tax-exempt property

NOTE: Property in the City is reassessed annually. The City assesses property at 100 percent of actual taxable value for all types of real and personal property. Tax rates are per \$100 of assessed value.

SOURCE: Victoria County Appraisal District

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value (1) as a Percentage of Actual Value
\$ 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%
572,496,198	3,433,311,549	0.6056	3,433,311,549	100.00%
733,221,635	3,736,222,546	0.5996	3,736,222,546	100.00%

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
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
2014	0.2506	0.3490	0.5996	1.2896	0.1823	0.0277

SOURCE: Victoria County Appraisal District

Overlapping Rates				
Victoria County	Road and Bridge	Ground Water District	Total	
\$ 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	
0.3386	0.0600	0.0088	1.9070	

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

2014

Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
Victoria WLE, L.P.	\$ 39,533,798	1.06%
EES Leasing, L.L.C	31,869,530	0.85%
Integrated Production Services	29,430,890	0.79%
Halliburton Energy Services	29,277,230	0.78%
AEP Texas Central Co.	25,608,520	0.69%
Victoria Hospital, L.L.C.	20,332,630	0.54%
Remington Apartments	18,848,370	0.50%
Wal-Mart Stores Texas LP	17,891,850	0.48%
Caterpillar, Inc.	17,021,840	0.46%
James A. Wayne	16,958,690	0.45%
	\$ 246,773,348	6.60%

2005

Taxpayer	Taxable Assessed Valuation	Percentage of Total City Taxable Assessed Valuation
AEP Central Power & Light Co.	\$ 30,598,050	1.35%
HS Victoria, L.P.	26,725,860	1.18%
Carlisle Plastics, Inc.	24,807,940	1.09%
Victoria Hospital, L.L.C.	20,784,630	0.92%
Southwestern Bell Telephone Co.	18,386,960	0.81%
H.E.B. Grocery	15,496,300	0.68%
James A. Wayne	13,102,148	0.58%
Central Power & Light Co.	12,662,110	0.56%
VRMC Limited Partnership	11,472,100	0.51%
DeTar Hospital, Inc.	10,092,130	0.45%
	\$ 184,128,228	8.13%

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>
2005	\$ 15,641,785	\$ 344,238	\$ 15,986,023	\$ 15,301,130	95.72%
2006	16,142,704	(24,786)	16,117,918	15,844,174	98.30%
2007	17,294,507	86,105	17,380,612	17,050,006	98.10%
2008	18,725,721	114	18,725,835	18,369,725	98.10%
2009	19,693,268	2,224	19,695,492	19,271,874	97.85%
2010	20,228,599	(179)	20,228,420	19,755,429	97.66%
2011	20,327,879	22	20,327,901	19,938,819	98.09%
2012	20,693,808	(3,659)	20,690,149	20,470,591	98.94%
2013	20,792,135	(17,831)	20,774,303	20,338,256	97.90%
2014	22,402,390	148,282	22,550,672	21,877,717	97.02%

SOURCE: City of Victoria
Victoria County Tax Assessor/Collector

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 644,516	\$ 15,945,646	99.75%
234,120	16,078,294	99.75%
281,392	17,331,398	99.72%
295,376	18,665,101	99.68%
359,669	19,631,543	99.68%
382,580	20,138,010	99.55%
300,823	20,239,642	99.57%
101,566	20,572,157	99.43%
16,324	20,354,580	97.98%
-	21,877,717	97.02%

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>
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
2014	3,514,585,000	2,990,317,000	524,268,000	14.92%	2,123,000,000

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

SOURCE: City of Victoria Utilities Department

Total Direct Rate for 3/4" Meter			
Water		Sewer	
Base Rate	Usage Rate	Base Rate	Usage Rate
\$ 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
17.96	1.67	22.43	2.22

CITY OF VICTORIA, TEXAS

WATER AND SEWER RATES

Last ten fiscal years

	Fiscal Year			
	2005	2006	2007	2008
Water Rates (per 2,000 gallons)				
Base Rate (meter size)				
¾"	\$ 14.43	\$ 14.43	\$ 15.01	\$ 16.73
1"	36.08	36.08	37.53	41.84
1½"	72.15	72.15	75.05	83.66
2"	115.44	115.44	120.08	133.86
3"	230.88	230.88	240.17	267.73
4"	360.75	360.75	375.25	418.31
6"	523.87	721.50	750.50	836.62
8"	1,232.15	2,308.80	2,401.60	2,677.17
10"	2,609.34	2,609.34	3,752.50	4,183.08
Water usage rate (1,000 gallons increments)				
3-7	1.52	1.52	1.52	1.57
8-18	1.68	1.68	1.68	1.73
19-50	2.00	2.00	2.00	2.05
51-75	2.25	2.25	2.25	2.30
>51	-	-	-	-
76-100	2.40	2.40	2.40	2.45
>100	2.55	2.55	2.55	2.60
Sewer Rates (per 2,000 gallons)				
¾"	18.48	18.48	19.16	21.03
1"	46.20	46.20	47.90	52.57
1½"	92.40	92.40	95.80	105.14
2"	147.84	147.84	153.28	168.22
3"	295.68	295.68	306.56	336.44
4"	462.00	462.00	479.00	525.69
6"	923.52	924.00	958.00	1,051.37
8"	2,178.13	2,956.80	3,065.60	3,364.39
10"	4,617.60	4,617.60	4,790.00	5,256.86
Sewer usage rate (1,000 gallons increments)				
>2	-	-	-	-
3-7	2.07	2.07	2.07	2.12
8-18	2.12	2.12	2.12	2.17
19-50	2.17	2.17	2.17	2.22
51-75	2.22	2.22	2.22	2.27
76-100	2.37	2.37	2.37	2.42
>100,000	2.52	2.52	2.52	2.57

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						
2009	2010	2011	2012	2013	2014	
\$ 17.09	\$ 17.49	\$ 17.49	\$ 17.96	\$ 17.96	\$ 17.96	
42.73	43.73	43.73	44.92	44.92	44.92	
85.45	87.45	87.45	89.82	89.82	89.82	
136.73	139.93	139.93	143.72	143.72	143.72	
273.45	279.85	279.85	287.44	287.44	287.44	
427.26	437.26	437.26	449.12	449.12	449.12	
854.51	874.51	874.51	898.23	898.23	898.23	
2,734.43	2,798.43	2,798.43	2,874.33	2,874.33	2,874.33	
4,272.55	4,372.55	4,372.55	4,491.14	4,491.14	4,491.14	
1.67	1.67	1.67	1.67	1.67	1.67	
1.83	1.83	1.83	1.83	1.83	1.83	
2.15	2.15	2.15	2.15	2.15	2.15	
2.40	2.40	2.40	2.40	2.40	2.40	
-	-	-	-	-	-	
2.55	2.55	2.55	2.55	2.55	2.55	
2.70	2.70	2.70	2.70	2.70	2.70	
21.41	21.85	21.85	22.43	22.43	22.43	
53.54	54.64	54.64	56.08	56.08	56.08	
107.10	109.30	109.30	112.19	112.19	112.19	
171.34	174.86	174.86	179.48	179.48	179.48	
342.69	349.73	349.73	358.97	358.97	358.97	
535.45	546.45	546.45	560.88	560.88	560.88	
1,070.89	1,092.89	1,092.89	1,121.75	1,121.75	1,121.75	
3,426.86	3,497.26	3,497.26	3,589.61	3,589.61	3,589.61	
5,354.47	5,464.47	5,464.47	5,608.77	5,608.77	5,608.77	
-	-	-	-	-	-	
2.22	2.22	2.22	2.22	2.22	2.22	
2.27	2.27	2.27	2.27	2.27	2.27	
2.32	2.32	2.32	2.32	2.32	2.32	
2.37	2.37	2.37	2.37	2.37	2.37	
2.52	2.52	2.52	2.52	2.52	2.52	
2.67	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

2014

<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	46,677	1.33%
Caterpillar	Factory	31,449	0.89%
Detar Hospital	Hospital	26,591	0.76%
Victoria County Jail	Government	20,463	0.58%
Autumn Park	Apartments	20,361	0.58%
University of Houston	School	18,056	0.51%
Pinnacle Pointe	Apartments	17,261	0.49%
Creekstone	Apartments	16,611	0.47%
Victoria College	School	14,460	0.41%
Mockingbird Apartments	Apartments	14,065	0.40%

2005

<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	55,019	1.57%
Victoria County Jail	County Jail	18,735	0.54%
VISD - Crain	School	17,263	0.49%
DeTar	Hospital	17,213	0.49%
Sage Creek	Apartment Complex	16,652	0.48%
Cintas	Laundry/Cleaners	12,951	0.37%
VISD - Memorial	School	11,975	0.34%
Creekstone Ranch	Apartment Complex	11,669	0.33%
Fox Run	Apartment Complex	10,885	0.31%
DeTar - Regional	Hospital	10,264	0.29%

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		
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	Revenue Bonds	Plus: Issuance Premiums	Less: Issuance Discounts
2005	\$ 23,940,000	\$ 38,460,000	\$ -	\$ 65,705,000	\$ 1,258,972	\$ (215,752)
2006	32,780,000	36,300,000	119,097	62,985,000	1,180,286	(201,452)
2007	30,880,000	35,050,000	113,426	70,360,000	1,527,699	-
2008	38,880,000	33,720,000	293,498	66,975,000	1,428,723	-
2009	62,900,000	32,225,000	278,051	70,130,000	1,329,747	-
2010	61,375,000	30,475,000	764,623	73,040,000	2,722,750	-
2011	59,740,000 **	38,135,000	800,703 *	69,125,000	2,516,601	-
2012	57,835,000 **	39,975,000	797,298 *	73,950,000	2,376,581	-
2013	47,385,000 **	46,370,000	2,741,198 *	69,035,000	2,167,055	-
2014	54,080,000 **	43,360,000	2,492,041 *	83,290,000	4,272,165	-

NOTES: *Payments on the 2011 TxDOT Pass-Through Toll Revenue & Limited Tax Bonds (\$9,740,000 principal) will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over eleven years beginning in 2012.

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

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

N/A denotes information not available.

SOURCE: City of Victoria

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 129,148,220	6.37%	\$ 2,102
133,162,931	6.01%	2,149
137,931,125	5.90%	2,219
141,297,221	5.58%	2,260
166,862,798	7.03%	2,669
168,377,373	6.83%	2,685
170,317,304	6.40%	2,721
174,933,879	6.14%	2,771
167,698,253	5.56%	2,617
187,494,206	N/A	2,926

CITY OF VICTORIA, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last ten fiscal years

Fiscal Year	General Bonded Debt Outstanding				Debt Service Monies Available (1)
	Certificates of Obligation	General Obligation Bonds	Plus: Issuance Premiums	Total	
2005	\$ 23,940,000	\$ 38,460,000	\$ -	\$ 62,400,000	\$ 903,386
2006	32,780,000	36,300,000	119,097	69,199,097	801,189
2007	30,880,000	35,050,000	113,426	66,043,426	933,505
2008	38,880,000	33,720,000	293,498	72,893,498	1,185,901
2009	36,570,000	32,225,000	278,051	69,073,051	1,197,665
2010	61,375,000	30,475,000	764,623	92,614,623	1,024,126
2011	59,740,000 **	38,135,000 *	800,703	98,675,703	953,394
2012	57,835,000 **	39,975,000 *	797,298	98,607,298	977,452
2013	47,385,000 **	46,370,000 *	2,741,198	96,496,198	1,222,778
2014	54,080,000 **	43,360,000 *	2,492,041	99,932,041	1,091,077

NOTES: *Payments on the 2011 TxDOT Pass-Through Toll Revenue & Limited Tax Bonds (\$9,740,000 principal) will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over eleven years beginning in 2012.

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

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

N/A denotes information not available.

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

SOURCE: City of Victoria

<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
\$ 61,496,614	2.71%	\$ 1,001
68,397,908	2.92%	1,104
65,109,921	2.60%	1,047
71,707,597	2.58%	1,147
67,875,386	2.24%	1,085
91,590,497	2.92%	1,461
97,722,309	3.12%	1,561
97,629,846	3.04%	1,546
95,273,420	2.77%	1,487
98,840,964	2.65%	1,523

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

September 30, 2014

	Gross Debt Outstanding		Percentage Applicable To City	Amount Applicable To City
	Date	Amount		
Direct Debt:				
City of Victoria	9/30/2014	\$ 99,932,041 *	100.00%	\$ 99,932,041
Overlapping Debt:				
Victoria County	9/30/2014	14,605,000	53.17%	7,765,479
Victoria County Junior College District	9/30/2014	31,215,000	53.17%	16,597,016
Victoria County Navigation District	9/30/2014	-	0.00%	-
Victoria Independent School District	9/30/2014	<u>161,400,000</u>	65.43%	<u>105,604,020</u>
Total Overlapping Debt		<u>207,220,000</u>		<u>129,966,514</u>
Total		<u>\$ 307,152,041</u>		<u>\$ 229,898,555</u>

NOTES: The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each government's total taxable value.

*Payments on the 2011 TxDOT Pass-Through Toll Revenue & Limited Tax Bonds (\$9,740,000 principal) will be reimbursed by the Texas Department of Transportation through a pass-through toll contract as well as funds pledged by the County of Victoria, Texas over eleven years beginning in 2012.

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

SOURCE: Municipal Advisory Council of Texas



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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 113,346,267	\$ 116,976,114	\$ 125,322,513	\$ 138,709,044
Total net debt applicable to limit	<u>61,496,614</u>	<u>68,278,811</u>	<u>64,996,495</u>	<u>71,414,099</u>
Legal debt margin	<u>\$ 51,849,653</u>	<u>\$ 48,697,303</u>	<u>\$ 60,326,018</u>	<u>\$ 67,294,945</u>
Total net debt applicable to the limit as a percentage of debt limit	54.26%	58.37%	51.86%	51.48%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 151,486,678	\$ 156,810,850	\$ 156,368,302	\$ 160,417,119	\$ 171,665,577	\$ 186,811,127
<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>96,348,923</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>	<u>\$ 90,462,204</u>

44.62%	57.92%	61.98%	60.36%	53.90%	51.58%
--------	--------	--------	--------	--------	--------

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 3,736,222,546
Debt limit	186,811,127
Debt applicable to limit	
General obligation bonds	97,440,000
Less: Debt Service Fund Balance	<u>1,091,077</u>
Total amount of debt applicable to debt limit	<u>96,348,923</u>
Legal debt margin	<u>\$ 90,462,204</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
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
2014	25,180,217	11,241,597	13,938,620	4,631,141

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 Service Requirements	Priority Bonds Coverage	Subordinate Bonds Coverage
\$ 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
-	3.01	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>
2005	61,454	\$ 2,028,649	\$ 33,011	14,025	4.9%
2006	61,952	2,215,860	35,767	13,864	4.3%
2007	62,169	2,335,968	37,574	13,752	3.5%
2008	62,530	2,533,843	40,522	13,610	3.6%
2009	62,530	2,373,493	37,958	13,786	6.1%
2010	62,701	2,466,326	39,335	13,854	7.6%
2011	62,592	2,660,328	42,503	14,409	6.9%
2012	63,131	2,850,180	45,147	14,543	6.0%
2013	64,072	3,013,980	47,041	14,559	5.4%
2014	64,919	N/A	N/A	14,467	4.5%

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 2014 is not yet available.
(3) Victoria Independent School District as of October 1, 2014
(4) U.S. Department of Labor

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

2014

Employer	Employees	Percentage of Total Area Employment
Formosa Plastics	2,595	5.36%
The Inteplast Group	2,300	4.75%
Victoria Independent School District	2,163	4.47%
Citizens Medical Center	986	2.04%
DeTar Healthcare System	897	1.85%
Alcoa	706	1.46%
Invista	700	1.45%
City of Victoria	613	1.27%
DOW - Seadrift Operations	579	1.20%
Calhoun Independent School District	<u>563</u>	<u>1.16%</u>
	<u>12,102</u>	<u>25.01%</u>

2005

Employer	Employees	Percentage of Total Area Employment
Victoria Independent School District	2,215	5.27%
The Inteplast Group	1,700	4.05%
Formosa Plastics	1,500	3.57%
Citizens Medical Center	1,250	2.98%
DeTar Healthcare System	1,004	2.39%
Dow-Seadrift Operations	660	1.57%
Alcoa	630	1.50%
City of Victoria	605	1.44%
Calhoun Independent School District	600	1.43%
Koch-Invista	<u>500</u>	<u>1.19%</u>
	<u>10,664</u>	<u>25.39%</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			
	2005	2006	2007	2008
General government				
City manager	10	10	11	11
Legal	5.5	5.5	5.5	5.5
Financial	7	7	7	7
Municipal court	6.5	5.5	5.5	5.5
Human resources	6	6	5	5
Planning	10	10	10	10
Development services administration	-	-	-	-
Geographic information system (GIS)	-	-	-	-
Building services	12	12	12	12
City secretary	3	3	4	4
Public information office	-	-	-	-
Public safety				
Police	150	148	146	146
Fire	107	107	107	118
Inspections	11	11	11	11
Code enforcement	5	5	5	7
Traffic control	9	9	9	10
Highways and streets				
Engineering	14	14	14	13
Streets and drainage	34	34	34	34
Culture and recreation				
Parks and recreation	35	35	37	41
Public library	29	28	28	28
Water/wastewater	81	81	80	80
Community center	6	6	6	7
Environmental services	45	46	48	43
Vehicle and equipment services	1	2	2	2
Information technology	8	10	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	605	605	607	620

- 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					
2009	2010	2011	2012	2013	2014
12	10	10	10	10	10
5.5	4.5	4	4	4	4
7	6	6	6	6	6
5.5	5.5	5	5	5	5
5	5	4	4	4	4
10	4	4	4	5	5
-	2	2	2	2	2
-	3	3	3	4	4
12	12	10	10	10	10
4	4	3	3	3	3
-	2	2	2	2	3
147	149	154	154	155	158
118	118	118	118	117	117
11	12	10	11	10	10
7	5	4	4	5	5
11	10	9	9	9	9
12	12	11	11	10	9
34	34	31	31	31	31
41	43	41	43	41	41
28	28	27	27	27	27
80	82	96	96	96	95
7	7	7	7	7	7
43	26	24	24	24	24
2	2	2	2	2	2
10	10	10	10	10	10
1	1	1	1	1	1
4	3	3	3	3	3
2	2	2	2	2	2
2	2	2	2	2	2
-	-	-	3	3	4
<u>621</u>	<u>604</u>	<u>605</u>	<u>611</u>	<u>610</u>	<u>613</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			
	2005	2006	2007	2008
General government				
Building permits issued	1,371	1,294	1,147	1,345
Building inspections conducted	13,349	10,415	11,062	9,883
Birth certificates registered	2,098	2,255	2,374	2,376
Death certificates registered	944	983	1,003	984
Birth certificates issued	6,927	6,567	7,246	7,251
Death certificates issued	7,147	7,677	6,863	6,767
Public safety				
Police				
Physical arrests	4,911	5,775	4,427	4,461
Parking violations	1,527	939	1,080	641
Traffic violations	12,728	13,726	14,303	14,482
Warrants issued	3,035	3,279	4,583	5,520
Fire				
Total Incidents	7,087	7,175	7,355	8,152
Fires	458	493	381	557
Rescue/Emergency Medical	5,326	5,393	5,706	6,166
Inspections	827	830	874	1,210
Streets and highways				
Street resurfacing (linear feet)	44,088	24,990	29,756	31,178
Culture and recreation				
Community center admissions (event contracts)				
Dome	118	107	120	116
Annex	161	155	136	120
Arena	30	29	29	23
Library				
Number of items	142,319	145,318	148,764	138,804
Circulation	285,435	279,679	276,357	284,919
Gate count	230,218	226,171	228,114	242,388
Water and wastewater				
Water				
Active water connections	21,700	21,861	21,962	22,041
Active sewer connections	20,085	20,235	20,435	20,532
Active garbage accounts	18,432	18,655	18,131	19,233
Average daily consumption (pumped) (in 000's)	9,591	10,067	8,615	9,584
Peak monthly consumption (in 000's)	313,298	349,686	233,143	372,618
Wastewater				
Average daily sewage treatment	7,029,795	6,469,471	8,812,263	6,837,775
Environmental services				
Refuse collection				
Refuse collected (tons per month)	2,248	2,240	2,473	2,139
Landfill tonnage accepted	135,049	166,475	160,048	140,508
Recyclables collected (tons per year)	612.39	742.45	691.52	479.13

NOTES: Increase in linear feet of street surfacing from Fiscal Year 2013 to Fiscal Year 2014 is due to implementing a chip-seal program in addition to complete street rebuilds.

N/A denotes information not available

SOURCE: Various City departments

Fiscal Year					
2009	2010	2011	2012	2013	2014
1,433	1,627	1,484	1,884	2,342	2,376
6,138	6,066	5,874	7,044	8,698	10,380
1,998	2,146	2,009	2,112	1,719	2,142
795	885	924	930	754	968
6,569	6,043	5,645	5,980	5,946	5,475
5,698	5,295	5,269	1,601	1,249	981
4,044	3,152	3,387	3,427	3,552	4,095
472	368	223	334	187	409
12,143	7,303	8,756	8,876	13,181	13,061
1,812	1,879	1,960	2,139	N/A	3,608
8,551	8,455	9,072	8,797	8,669	9,042
621	349	554	271	202	204
7,930	6,568	6,832	8,526	8,467	8,838
1,279	1,555	1,351	2,187	1,513	1,906
12,907	16,250	7,000	12,000	14,000	66,000
120	98	89	88	92	118
133	102	85	81	75	96
27	14	22	22	27	58
140,599	141,887	146,455	137,548	140,976	148,232
313,099	271,281	340,204	340,320	353,122	373,153
263,730	336,580	245,844	249,672	243,192	232,196
22,129	22,071	22,312	22,456	22,660	22,923
20,461	20,587	20,720	20,845	21,068	21,230
19,018	19,014	19,105	19,322	19,508	19,490
10,718	8,617	11,292	10,283	9,950	9,629
354,264	319,293	407,616	374,666	374,690	434,515
6,038,356	7,370,000	5,800,000	6,180,000	5,469,000	5,842,333
1,723	1,936	1,669	1,685	N/A	N/A
140,791	102,657	202,723	149,137	154,291	140,102
269.56	196.31	389.90	2,235.98	3,227.66	3,191.00

CITY OF VICTORIA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last ten fiscal years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General government				
Buildings	3	3	3	3
Public safety				
Police				
Stations	1	1	1	1
Patrol units	30	32	34	36
Fire stations	4	4	4	4
Highways and streets				
Streets (miles)	307.72	309.87	310.60	310.82
Streetlights	6,276	6,367	6,475	4,359
Traffic signals	74	76	76	
School zone flashers	58	58	58	58
Culture and recreation				
Acreage	750.0	750.0	748.0	748.0
Playgrounds	14	14	14	15
Baseball/softball diamonds	15	15	27	27
Community centers	1	1	1	1
Libraries	1	1	1	1
Water and wastewater				
Water				
Water mains (miles)	356.6	361	361.5	361.5
Wastewater				
Sanitary sewers (miles)	336.4	337.2	337.6	337.6
Storm sewers (miles)	449.9	450.9	451.2	451.2
Environmental services				
Refuse collection				
Garbage collection trucks	16	16	17	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					
2009	2010	2011	2012	2013	2014
3	3	3	3	3	3
1	1	1	1	1	1
36	36	35	37	36	36
5	5	5	5	5	5
312.00	314.50	312.60	313.23	314.51	314.51
4,380	4,429	4,473	4,444	4,550	4,550
78	78	81	81	84	86
61	61	61	61	61	61
748.0	748.0	876.0	876.0	866.7	888.0
15	15	16	16	16	16
21	19	19	19	19	19
1	1	1	1	1	1
1	1	1	1	1	1
363	365.8	366.8	366.8	373	373
337	342	342	342	342	349.2
450	452	452	452	452	452
11	11	7	7	7	8
N/A	N/A	5	5	5	4
N/A	N/A	4	4	6	4
N/A	N/A	1	1	1	1



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Victoria, Texas (the "City") as of and for the year ended September 30, 2014, 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 10, 2015. The financial statements of the Sales Tax Development Corporation and the Victoria Recreation Association, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

March 10, 2015



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**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, 2014. 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 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, 2014.

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, L.L.P.
Certified Public Accountants

March 10, 2015

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

For the year ended September 30, 2014

<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-13-MC-48-0510	\$ 700,500
Total U.S. Department of Housing and Urban Development			<u>700,500</u>
U.S. Department of Transportation			
<i>Passed Through Texas Department of Transportation</i>			
Metropolitan Planning Program	20.205	50-14XF0023	<u>189,997</u>
Total U.S. Department of Transportation			<u>189,997</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	12-GA-75428-02F	<u>10,895</u>
Total U.S. Department of Homeland Security			<u>10,895</u>
U.S. Department of Justice			
2010 COPS Hiring Program	16.710	2010-UM-WX-0372	106,433
<i>Passed Through the Office of the Governor Criminal Justice Division</i>			
Edward Byrne Memorial Justice Assistance Grant	16.803	2013-H4764-TX-DJ	15,061
<i>Passed Through the Office of the Attorney General</i>			
Internet Crimes Against Children Task Force Program	16.543	2012-MC-FX-K047	<u>19,930</u>
Total U.S. Department of Justice			<u>141,424</u>
TOTAL FEDERAL EXPENDITURES			<u>1,042,816</u>

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

For the year ended September 30, 2014

<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			
Law Enforcement Officers Standards and Education			
Training Grant	N/A	N/A	\$ <u>300</u>
Texas Department of Motor Vehicles			
<i>Passed Through Texas Automobile Theft Prevention Authority</i>			
Automobile Theft Grant	N/A	2014-T01-City of-00022	90,678
Automobile Theft Grant	N/A	2015-T01-City of-00017	<u>13,465</u>
Total Texas Department of Motor Vehicles			<u>104,143</u>
Texas Commission on Environmental Quality			
Rider 8 Local Air Quality Planning Grant	N/A	582-11-11225	106,599
Rider 8 Local Air Quality Planning Grant	N/A	582-14-40054	<u>181,792</u>
Total Texas Commission on Environmental Quality			<u>288,391</u>
Texas Department of State Health Services			
2014 EMS Local Projects Grant	N/A	2014-0451821-001	<u>4,975</u>
TOTAL STATE EXPENDITURES			<u>397,809</u>
TOTAL FEDERAL AND STATE EXPENDITURES			<u>\$ 1,440,625</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, 2014

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, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: 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

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, 2014

None were reported.

