

CITY OF POTH, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

BEYER & Co.
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Poth, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poth, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. 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 entity'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.

Basis for Qualified Opinion

The City has not adopted a GASB 54 fund balance policy ordinance. Accounting principles generally accepted in the United States of America require that an entity adopt a GASB 54 fund balance policy which requires a minimum fund balance policy and the grouping of fund balance amounts into categories of restricted, committed, or unassigned. The amount by which this departure would affect the assets, net position, results of operations, and cash flows have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility Fund of the City of Poth, Texas, as of September 30, 2017, the changes in financial position, and 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 the Employees Retirement System Information on pages 3-13, 59-60 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 of Poth, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BEYER & COMPANY
Certified Public Accountants
July 14, 2018



Management's Discussion and Analysis

As management of the City of Poth, Texas, we offer readers of the City of Poth, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Poth, Texas for the fiscal year ended September 30, 2017.

Financial Highlights:

- . The assets of the City of Poth, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$5,556,227 (net position). Of this amount, \$642,164 or 12% is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$323,723.
- . The City of Poth, Texas' total restricted net position at September 30, 2017 is \$611,377 at September 30, 2017 or 11%.
- . The City of Poth, Texas' total debt decreased by \$119,781 (9 percent) during the current fiscal year. The key factor is the payment of bonded debt of \$123,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Poth, Texas' basic financial statements. The City of Poth, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Poth, Texas' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Poth, Texas' 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 of Poth, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. 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 taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Poth, Texas 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 of Poth, Texas include general administration, public safety, public transportation, and culture and recreation. The business-type activities of the City of Poth, Texas include the Utility fund.

The government-wide financial statements include only the City of Poth, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 14-15 of this report.

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 of Poth, Texas, 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 of Poth, Texas can be divided into two categories: governmental funds and proprietary 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, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Poth, Texas maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the economic development MMF which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Poth, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds: The City of Poth, Texas maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Poth, Texas uses enterprise funds to account for its Utility activities.

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 Utility fund which is considered to be a major fund of the City of Poth, Texas.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Notes to the 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 26-58 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Poth, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 59-60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 61-62 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 of Poth, Texas, assets exceeded liabilities by \$5,556,227 at the close of the most recent fiscal year.

By far the largest portion of the City of Poth, Texas' net position (77 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Poth, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Poth, Texas' 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.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$363,092	\$343,326	\$311,664	\$316,797	\$674,756	\$660,123
Restricted Assets	281,199	256,824	361,972	539,109	643,171	795,933
Capital Assets:	2,375,298	2,201,416	3,085,664	2,990,584	5,460,962	5,192,000
Total Assets	<u>3,019,589</u>	<u>2,801,566</u>	<u>3,759,300</u>	<u>3,846,490</u>	<u>6,778,889</u>	<u>6,648,056</u>
Total Deferred Outflows of Resources	29,837	52,600	52,919	71,181	82,756	123,781
Long-Term Liabilities	430,824	470,718	798,261	872,883	1,229,085	1,343,601
Other Liabilities	30,131	139,279	45,117	56,379	75,248	195,658
Total Liabilities	<u>460,955</u>	<u>609,997</u>	<u>843,378</u>	<u>929,262</u>	<u>1,304,333</u>	<u>1,539,259</u>
Total Deferred Outflows of Resources	447	37	638	37	1,085	74
Invested in Capital Assets, Net of Related Debt	2,010,001	1,814,809	2,292,685	2,117,701	4,302,686	3,932,510
Restricted	249,405	117,309	361,972	539,109	611,377	656,418
Unrestricted	328,618	312,014	313,546	331,562	642,164	643,576
Total Net Position	<u>\$2,588,024</u>	<u>\$2,244,132</u>	<u>\$2,968,203</u>	<u>\$2,988,372</u>	<u>\$5,556,227</u>	<u>\$5,232,504</u>

An additional portion of the City of Poth, Texas' net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$642,164 may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Poth, Texas reported 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. For the prior fiscal year, the City of Poth, Texas reported 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.

The government's total net position increased by \$323,723. The reason for this increase is careful budget management.

Governmental Activities:

Governmental activities increased the City of Poth, Texas' net position by \$343,892, thereby accounting for 100 percent of the total growth in the net position of the City of Poth, Texas. The reason for this increase is careful budget management.

**CITY OF POTH, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$116,722	\$113,689	\$993,445	\$1,005,500	\$1,110,167	\$1,119,189
General Revenues:						
Maintenance and Operations Taxes	230,362	229,760			230,362	229,760
Sales Taxes	176,826	177,571			176,826	177,571
Franchise Taxes	242,575	235,666			242,575	235,666
Licenses and Permits	7,246	8,805			7,246	8,805
Unrestricted Investment Earnings	590	1,647	736	801	1,326	2,448
Miscellaneous	57,715	113,790			57,715	113,790
Total Revenue	832,036	880,928	994,181	1,006,301	1,826,217	1,887,229
Expenses:						
General Administration	186,597	205,975			186,597	205,975
Public Safety	190,058	183,053			190,058	183,053
Public Transportation	116,160	88,641			116,160	88,641
Culture and Recreation	33,962	35,897			33,962	35,897
Interest and Fiscal Charges	11,367	13,539			11,367	13,539
Utility			964,350	914,732	964,350	914,732
Total Expenses	538,144	527,105	964,350	914,732	1,502,494	1,441,837
Increase in Net Position Before Transfers and Special Items	293,892	353,823	29,831	91,569	323,723	445,392
Transfers	50,000	0	(50,000)	0	0	0
Increase in Net Position	343,892	353,823	(20,169)	91,569	323,723	445,392
Net Position at 09/30/2016	2,244,132	1,890,309	2,988,372	2,896,803	5,232,504	4,787,112
Net Position at 09/30/2017	\$2,588,024	\$2,244,132	\$2,968,203	\$2,988,372	\$5,556,227	\$5,232,504

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$186,597	\$8,273	\$0
Public Safety	190,058	108,449	
Public Transportation	116,160		
Culture and Recreation	33,962		
Interest and Fiscal Charges	11,367		
Total Government Activities	<u>\$538,144</u>	<u>\$116,722</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$116,722	14%
Maintenance and Operations Taxes	230,362	28%
Sales Taxes	176,826	21%
Franchise Taxes	242,575	29%
Licenses and Permits	7,246	1%
Unrestricted Investment Earnings	590	0%
Miscellaneous	57,715	7%
	<u>\$832,036</u>	<u>100%</u>

For the most part, increases in expenses closely paralleled inflation and growth and/or decline in the demand for services.

Business-Type Activities:

Business-type activities decreased the City of Poth, Texas' net position by \$20,169, thereby accounting for 00 percent of the total growth in the net position of the City of Poth, Texas. The reason for this decrease is a transfer out of \$50,000 to the Economic Development fund, an increase in expenses of \$49,618, and a decrease in revenues of \$12,055.

- . Charges for services for business-type activities decreased by \$12,055 or 1%.
- . Total expenses increased by \$49,618 or 5%.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Utility	\$964,350	\$993,445	\$0
Total Business-Type Activities	\$964,350	\$993,445	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$993,445	100%
Unrestricted Investment Earnings	736	0%
	\$994,181	100%

Financial Analysis of the Government's Funds

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

Governmental funds:

The focus of the City of Poth, Texas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Poth, Texas' 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 the current fiscal year, the City of Poth, Texas' governmental funds reported combined ending fund balances of \$583,735, an increase of \$151,007 in comparison with the prior year. Approximately 49 percent of this total amount \$288,221 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed and restricted.

The general fund is the chief operating fund of the City of Poth, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$288,221, while total fund balance reached \$301,614. 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 54 percent of total general fund expenditures, while total fund balance represents 57 percent of that same amount.

The fund balance of the City of Poth, Texas' general fund decreased by \$22,934 during the current fiscal year. This decrease is primarily a result of an increase in transfers out of \$151,022.

At the end of the current fiscal year, unassigned fund balance of the economic development MMF fund was \$00, while total fund balance reached a minus \$37,545. As a measure of the economic development MMF 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 00 percent of total economic development MMF fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of the City of Poth, Texas' economic development MMF fund increased by \$86,211 during the current fiscal year. This increase is primarily a result of an increase in transfers in of \$181,022.

Proprietary funds:

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$313,546. The decrease in net position was \$20,169. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Poth, Texas' business-type activities.

General Fund Budgetary Highlights

There was an increase between the original budget and the final amended budget of \$61,670. The primary increase was in the streets department which increased by \$59,670.

Capital Asset and Debt Administration

Capital assets:

The City of Poth, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$5,460,962 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Poth, Texas' investment in capital assets for the current fiscal year was 5 percent (an 8 percent increase for governmental activities and a 3 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Street paving and water and sewer improvements.

CITY OF POTH, TEXAS
CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$181,033	\$181,033	\$82,134	\$82,134	\$263,167	\$263,167
Construction in Progress	11,983	0	0	0	11,983	0
Building and Improvements	136,570	150,284	0	0	136,570	150,284
Macinery and Equipment	2,284	5,272	112,196	61,911	114,480	67,183
Infrastructure	2,043,428	1,864,827	2,891,334	2,846,539	4,934,762	4,711,366
Total	<u>\$2,375,298</u>	<u>\$2,201,416</u>	<u>\$3,085,664</u>	<u>\$2,990,584</u>	<u>\$5,460,962</u>	<u>\$5,192,000</u>

Additional information on the City of Poth, Texas' capital assets can be found in Note IV C on page 37 - 38 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Poth, Texas had the following bonded debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$406,292	\$0	\$40,996	\$365,296	\$41,996	\$323,300
	<u>406,292</u>	<u>0</u>	<u>40,996</u>	<u>365,296</u>	<u>41,996</u>	<u>323,300</u>
<u>Business-Type Activities:</u>						
Bonds Payable	812,708	0	82,004	730,704	84,004	646,700
	<u>812,708</u>	<u>0</u>	<u>82,004</u>	<u>730,704</u>	<u>84,004</u>	<u>646,700</u>
Grand Total	<u>\$1,219,000</u>	<u>\$0</u>	<u>\$123,000</u>	<u>\$1,096,000</u>	<u>\$126,000</u>	<u>\$970,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 25 percent of its total assessed valuation. The current debt limitation for the City of Poth, Texas is \$22,862,841 which is significantly in excess of the City of Poth, Texas' outstanding general obligation debt.

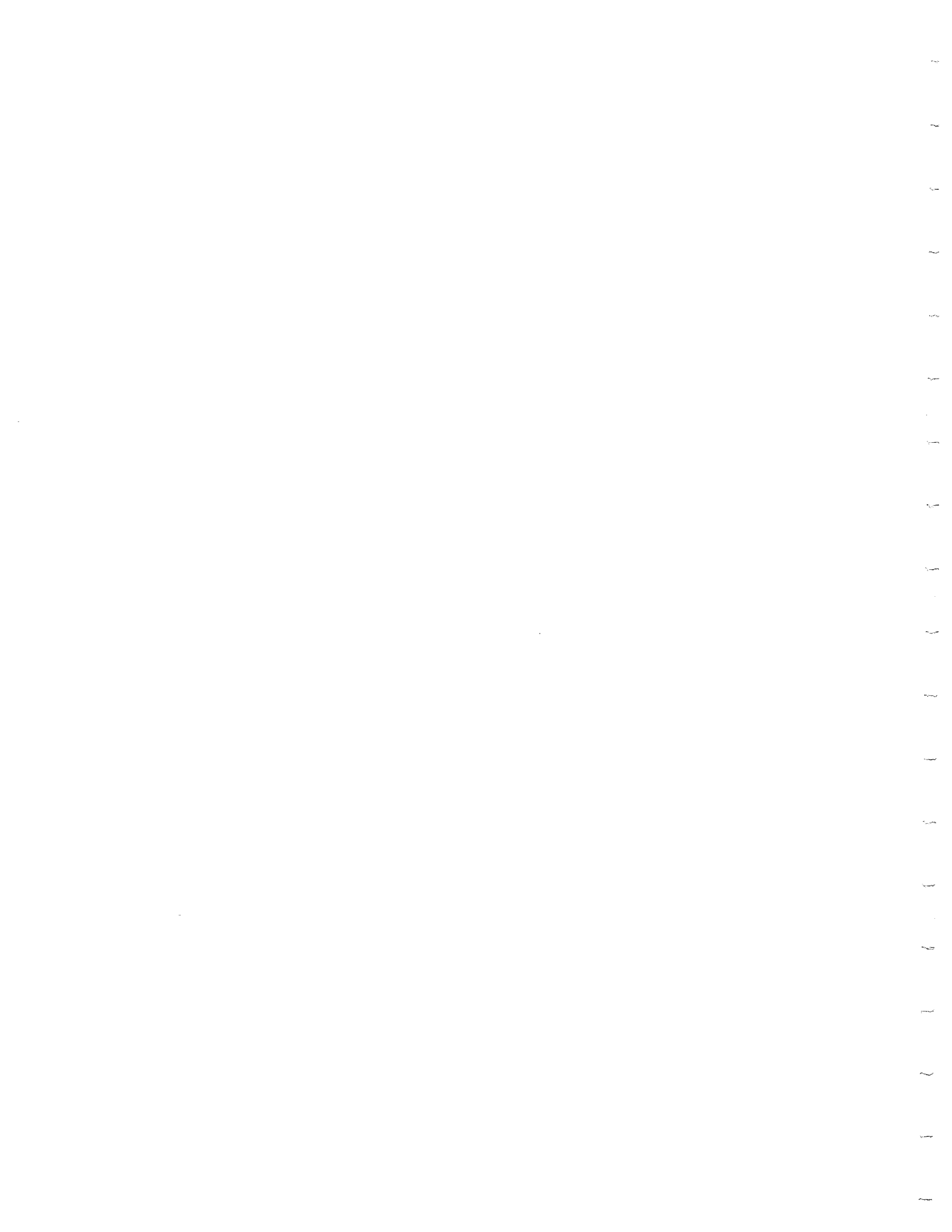
Additional information on the City of Poth, Texas' long - term debt can be found in Note IV F on page 39 of this report.

Economic Factors:

The Eagle Ford Oil and Gas Shale have brought in new businesses which have increased the sales taxes significantly; however, the sales taxes have fallen recently because of a downturn in the oil and gas industry. Industry trends indicate the Oil and Gas industry will pick back up in the near future.

Requests for Information

This financial report is designed to provide a general overview of the City of Poth, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Department, P.O. Box 579, Poth, Texas 78147.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF POTH, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$331,571	\$231,261	\$562,832
Receivables (Net of Allowance for Uncollectibles)	31,521	80,403	111,924
Restricted Assets:			
Cash and Cash Equivalents	281,199	361,972	643,171
Capital Assets Not Being Depreciated:			
Land	181,033	82,134	263,167
Construction in Progress	11,983		11,983
Total Capital Assets Being Depreciated, Net			
Building and Improvements	136,570		136,570
Machinery and Equipment	2,284	112,196	114,480
Infrastructure	2,043,428	2,891,334	4,934,762
Total Assets	\$3,019,589	\$3,759,300	\$6,778,889
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	15,748	32,794	48,542
GASB 68			
Contributions (after 12/31/16)	14,089	20,125	34,214
Total Deferred Outflows of Resources	29,837	52,919	82,756
LIABILITIES:			
Accounts Payable	\$21,640	\$31,884	\$53,524
Accrued Interest Payable	1,096	2,192	3,288
Accrued Wages	7,395	11,041	18,436
Noncurrent Liabilities:			
Due Within One Year	46,141	89,286	135,427
Due in More Than One Year	384,683	708,975	1,093,658
Total Liabilities	460,955	843,378	1,304,333
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	4	6	10
Difference in expected and actual experience	443	632	1,075
Total Deferred Inflows of Resources	447	638	1,085
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,010,001	2,292,685	4,302,686
Restricted			
Special Projects		361,972	361,972
Economic Development	227,017		227,017
Public Safety	22,388		22,388
Unrestricted	328,618	313,546	642,164
Total Net Position	\$2,588,024	\$2,968,203	\$5,556,227

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues			Business-Type Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Governmental Activities		
Primary Government						
Government Activities:						
General Administration	\$186,597	\$8,273		(\$178,324)		(\$178,324)
Public Safety	190,058	108,449		(81,609)		(81,609)
Public Transportation	116,160			(116,160)		(116,160)
Culture and Recreation	33,962			(33,962)		(33,962)
Interest and Fiscal Charges	11,367			(11,367)		(11,367)
Total Government Activities	<u>538,144</u>	<u>116,722</u>	<u>0</u>	<u>(421,422)</u>	<u>0</u>	<u>(421,422)</u>
Business-Type Activities:						
Utility	964,350	993,445	0		29,095	29,095
Total Business-Type Activities	<u>964,350</u>	<u>993,445</u>	<u>0</u>	<u>0</u>	<u>29,095</u>	<u>29,095</u>
Total Primary Government	<u>\$1,502,494</u>	<u>\$1,110,167</u>	<u>\$0</u>	<u>(\$421,422)</u>	<u>\$29,095</u>	<u>(\$392,327)</u>
General Revenues						
Property Taxes, Levies for General Purposes				230,362		230,362
Sales Taxes				176,826		176,826
Franchise Taxes				242,575		242,575
Licenses and Permits				7,246		7,246
Unrestricted Investment Earnings				590	736	1,326
Miscellaneous				57,715		57,715
Transfers				50,000	(50,000)	0
Total General Revenues and Transfers				<u>765,314</u>	<u>(49,264)</u>	<u>716,050</u>
Change in Net Position				343,892	(20,169)	323,723
Net Position - Beginning				2,244,132	2,988,372	5,232,504
Net Position - Ending				<u>\$2,588,024</u>	<u>\$2,968,203</u>	<u>\$5,556,227</u>

The accompanying notes are an integral part of this statement.



FUND FINANCIAL STATEMENTS

CITY OF POTH, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Economic Development MMF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$317,256	\$0	\$14,315	\$331,571
Receivables (Net of Allowance for Uncollectibles)	29,901			29,901
Restricted Assets:				
Cash and Cash Equivalents	13,393	37,545	230,261	281,199
Total Assets	\$360,550	\$37,545	\$244,576	\$642,671
LIABILITIES AND FUND BALANCES:				
Liabilities				
Accounts Payable	\$21,640		\$0	\$21,640
Accrued Wages	7,395			7,395
Total Liabilities	29,035	0	0	29,035
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	29,901			29,901
Fund Balances:				
Restricted				
Economic Development		37,545	189,472	227,017
Public Safety			22,388	22,388
Committed				
Administration			32,716	32,716
Street Maintenance	13,393			13,393
Unassigned	288,221			288,221
Total Fund Balance	301,614	37,545	244,576	583,735
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$360,550	\$37,545	\$244,576	\$642,671

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	\$583,735
Capital assets used in governmental activities are not reported in the funds.	2,375,298
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	29,901
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,620
Loss on Bond Refunding	15,748
GASB 68	
Contributions (after 12/31/16)	14,089
Difference in expected and actual experience	(443)
Difference in assumption changes	0
Difference in projected and actual earnings	(4)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(431,920)
Net Position of Governmental Activities - Statement of Net Position	<u>\$2,588,024</u>

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Economic Development MMF Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$229,065			\$229,065
Sales	126,304		50,522	176,826
Franchise	242,575			242,575
Other				0
Licenses and Permits	7,246			7,246
Intergovernmental				0
Charges for Services			13,015	13,015
Fines and Forfeitures	102,783			102,783
Interest	289	134	167	590
Miscellaneous	20,148	4,088	33,479	57,715
Total Revenues	<u>728,410</u>	<u>4,222</u>	<u>97,183</u>	<u>829,815</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	154,804		23,108	177,912
Public Safety	163,622		6,335	169,957
Public Transportation	179,496			179,496
Culture and Recreation	35,614			35,614
Capital Projects		115,364	10	115,374
Debt Service				
Principal Retirement		40,996		40,996
Interest and Fiscal Charges		9,459		9,459
Total Expenditures	<u>533,536</u>	<u>165,819</u>	<u>29,453</u>	<u>728,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	194,874	(161,597)	67,730	101,007
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In		247,808	36,530	284,338
Operating Transfers Out	(217,808)		(16,530)	(234,338)
Total Other Financing Sources (Uses)	<u>(217,808)</u>	<u>247,808</u>	<u>20,000</u>	<u>50,000</u>
Net Changes in Fund Balances	<u>(22,934)</u>	<u>86,211</u>	<u>87,730</u>	<u>151,007</u>
Fund Balances - Beginning	324,548	(48,666)	156,846	432,728
Fund Balances - Ending	<u>\$301,614</u>	<u>\$37,545</u>	<u>\$244,576</u>	<u>\$583,735</u>

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2017

Net Changes in Fund Balances - Total Governmental Funds	\$151,007
Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	173,882
Amortization of Bond Refunding Loss.	(1,969)
GASB 68	(927)
Contributions. This is the change in these amounts this year.	(406)
Difference in expected and actual experience. This is the change in these amounts this year.	(6,567)
Difference in assumption changes. This is the change in these amounts this year.	(13,304)
Difference in projected and actual earnings. This is the change in these amounts this year.	1,297
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	0
Increase in loan principal are receipts in the funds but not revenue in the SOA.	61
(Increase) decrease in accrued interest from beginning of period to end of period.	368
(Increase) decrease in compensated absences from beginning of period to end of period.	924
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(1,470)
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	40,996
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	<u>40,996</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u><u>\$343,892</u></u>

The accompanying notes are an integral part of this statement.

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CITY OF POTH, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$224,000	\$227,370	\$229,065	\$1,695
Sales	90,000	101,000	126,304	25,304
Franchise	230,000	237,000	242,575	5,575
Licenses and Permits	2,000	6,900	7,246	346
Fines and Forfeitures	60,000	94,000	102,783	8,783
Interest	80	80	289	209
Miscellaneous	15,300	16,700	20,148	3,448
Total Revenues	<u>621,380</u>	<u>683,050</u>	<u>728,410</u>	<u>45,360</u>
EXPENDITURES				
Current:				
General Administration				
General Administration	172,203	172,203	154,804	17,399
Public Safety				
Municipal Court	23,848	25,848	21,707	4,141
Fire	12,410	12,410	12,000	410
Police Department	163,310	163,310	129,915	33,395
Public Transportation				
Streets	151,809	211,479	179,496	31,983
Culture and Recreation				
Parks	35,000	35,000	35,614	(614)
Total Expenditures	<u>558,580</u>	<u>620,250</u>	<u>533,536</u>	<u>86,714</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,800	62,800	194,874	132,074
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(62,800)	(62,800)	(217,808)	(155,008)
Total Other Financing Sources (Uses)	<u>(62,800)</u>	<u>(62,800)</u>	<u>(217,808)</u>	<u>(155,008)</u>
Net Changes in Fund Balances	0	0	(22,934)	(22,934)
Fund Balances - Beginning	324,548	324,548	324,548	
Fund Balances - Ending	<u>\$324,548</u>	<u>\$324,548</u>	<u>\$301,614</u>	<u>(\$22,934)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTH, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

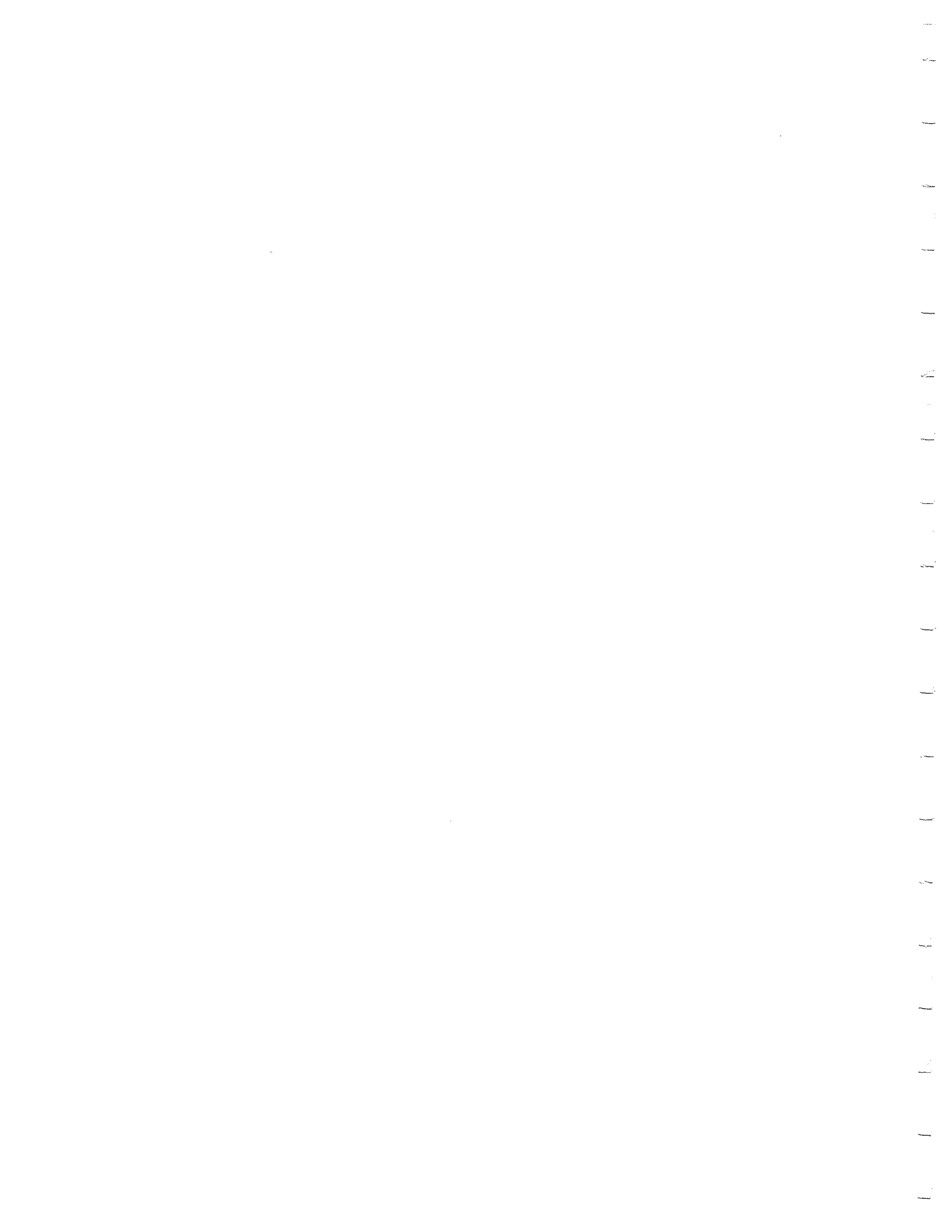
	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$231,261	\$238,894	\$231,261
Accounts Receivables (Net of Allowance for Uncollectibles)	80,403	77,903	80,403
Total Current Assets	311,664	316,797	311,664
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	361,972	539,109	361,972
Total Restricted Assets	361,972	539,109	361,972
Capital Assets			
Land	82,134	82,134	82,134
Construction in Progress	0	0	0
Infrastructure	6,129,769	5,993,700	6,129,769
Machinery and Equipment	425,728	355,498	425,728
Total Capital Assets	6,637,631	6,431,332	6,637,631
Less Accumulated Depreciation	(3,551,967)	(3,440,748)	(3,551,967)
Total Capital Assets (Net of Accumulated Depreciation)	3,085,664	2,990,584	3,085,664
Total Noncurrent Assets	3,447,636	3,529,693	3,447,636
TOTAL ASSETS	\$3,759,300	\$3,846,490	\$3,759,300
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding GASB 68	32,794	36,144	32,794
Contributions (after 12/31/15)		15,083	0
Contributions (after 12/31/16)	20,125		20,125
Difference in assumption changes		6,595	0
Difference in projected and actual earnings		13,359	0
Total Deferred Outflow of Resources	52,919	71,181	52,919

(continued)

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	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$31,884	\$32,353	\$31,884
Accrued Wages	11,041	11,416	11,041
Accrued Interest Payable	2,192	2,315	2,192
Compensated Absences	5,282	5,265	5,282
Revenue Bonds - Current	84,004	82,004	84,004
Total Current Liabilities	134,403	133,353	134,403
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	0	5,030	0
Total Current Liabilities Payable from Restricted Assets	0	5,030	0
Noncurrent Liabilities			
Net Pension Liability	62,276	60,176	62,276
Revenue Bonds Payable	646,699	730,703	646,699
Total Noncurrent Liabilities	708,975	790,879	708,975
Total Liabilities	843,378	929,262	843,378
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	6		6
Difference in expected and actual experience	632	37	632
Total Deferred Inflows of Resources	638	37	638
Net Position			
Invested in Capital Assets, Net of Related Debt	2,292,685	2,117,701	2,292,685
Restricted for:			
Special Projects - Expendable	361,972	539,109	361,972
Unrestricted	313,546	331,562	313,546
Total Net Position	\$2,968,203	\$2,988,372	\$2,968,203

The notes to the financial statements are an integral part of this statement.



CITY OF POTH, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services -Water	\$443,692	\$441,330	\$443,692
Charges for Services -Sewer	271,993	290,375	271,993
Charges for Services - Garbage	248,535	240,574	248,535
Charges for Services - Miscellaneous	29,225	33,221	29,225
Total Operating Revenues	993,445	1,005,500	993,445
OPERATING EXPENSES:			
Personal Services	341,451	296,128	341,451
Supplies	2,570	2,171	2,570
Other Services and Charges	487,093	432,277	487,093
Depreciation	111,489	157,666	111,489
Total Operating Expenses	942,603	888,242	942,603
Operating Income (Loss)	50,842	117,258	50,842
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	736	801	736
Contributions			0
Interest and Fiscal Charges	(21,747)	(26,490)	(21,747)
Total Non-Operating Revenues (Expenses)	(21,011)	(25,689)	(21,011)
Income Before Transfers	29,831	91,569	29,831
Transfers Out (Net)	(50,000)	0	(50,000)
Change in Net Position	(20,169)	91,569	(20,169)
Total Net Position - Beginning	2,988,372	2,896,803	2,988,372
Total Net Position - Ending	\$2,968,203	\$2,988,372	\$2,968,203

The notes to the financial statements are an integral part of this statement.

CITY OF POTH, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$985,915	\$1,021,402	\$985,915
Payments to Suppliers	(486,905)	(456,866)	(490,255)
Payments to Employees	(324,196)	(286,741)	(324,196)
Net Cash Provided (Used) By Operating Activities	174,814	277,795	171,464
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In (Out)-Net	(50,000)	0	(50,000)
Contributions	0	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(50,000)	0	(50,000)
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Warrants and Capital Leases	(82,004)	(79,381)	(82,004)
Proceeds from Capital Debt		39,492	0
Interest and Fiscal Charges	(21,747)	(26,490)	(21,747)
Purchases of Capital Assets (Net)	(206,569)	(78,957)	(206,569)
Net Cash Provided (Used) by Capital and Related Financing Activities	(310,320)	(145,336)	(310,320)
Cash Flows from Investing Activities			
Interest Received	736	801	736
Net Cash Provided (Used) by Investment Activities	736	801	736
Net Increase (Decrease) in Cash Equivalents	(184,770)	133,260	(184,770)
Cash and Cash Equivalents at Beginning of Year	778,003	644,743	778,003
Cash and Cash Equivalents at End of Year	\$593,233	\$778,003	\$593,233
	0	0	0
Unrestricted Assets:			
Cash and Cash Equivalents	\$231,261	\$238,894	\$231,261
Restricted Assets:			
Cash and Cash Equivalents	361,972	539,109	361,972
Total	\$593,233	\$778,003	\$593,233

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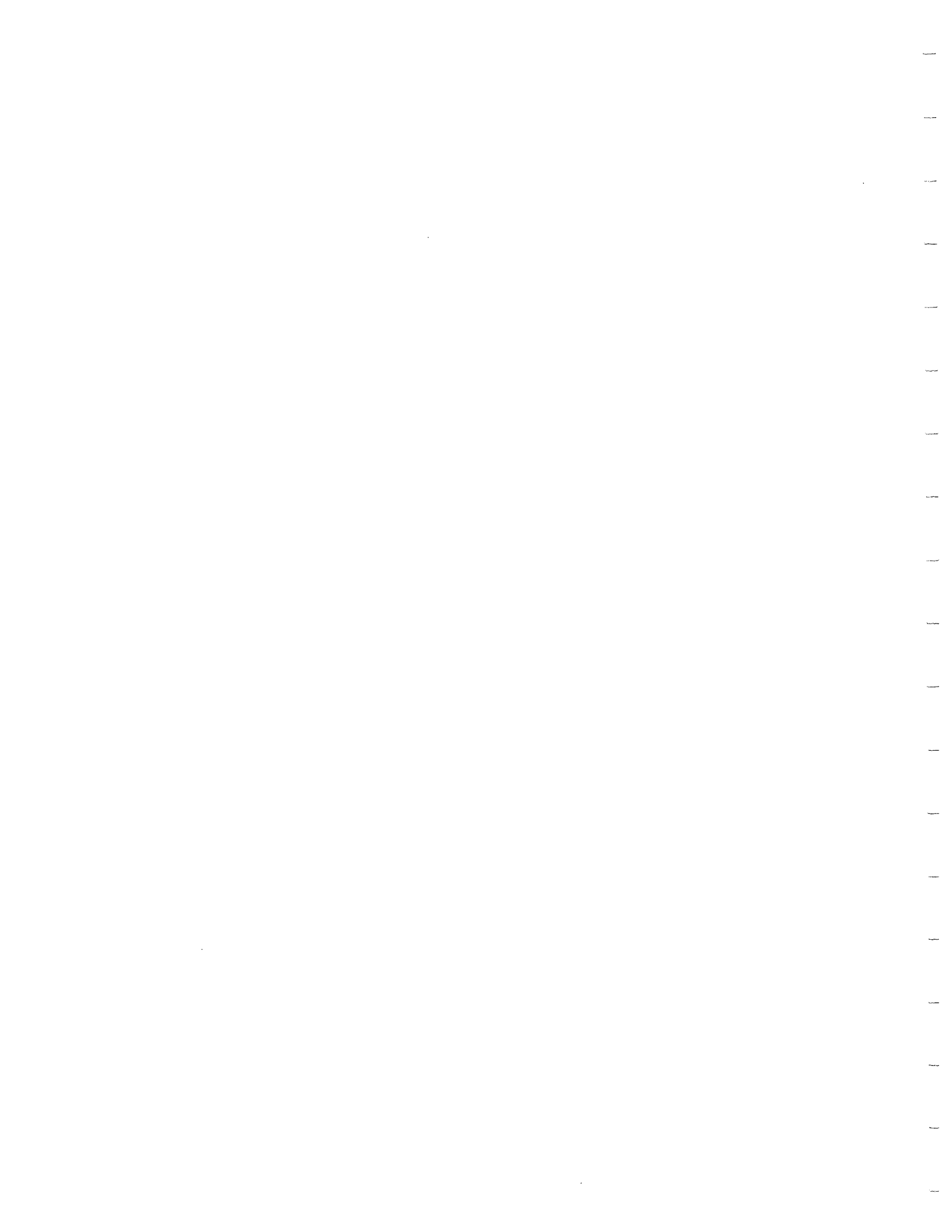
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	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$50,842	\$117,258	\$50,842
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	111,489	157,666	111,489
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(2,500)	17,927	(2,500)
Increase (Decrease) in Accounts Payable	(469)	16,740	(469)
Increase (Decrease) in Accrued Wages	(375)	1,353	(375)
Increase (Decrease) in Accrued Interest Payable	(123)	(3,014)	(123)
Increase (Decrease) in Compensated Absences	17	(351)	17
Increase (Decrease) in Consumer Meter Deposits	(5,030)	(2,025)	(5,030)
Decrease (Increase) Loss on Bond Refunding	3,350	(36,144)	
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(5,042)	(95)	(5,042)
Decrease (Increase) Difference in expected and actual experience	595	2,353	595
Decrease (Increase) Difference in assumption changes	6,595	(5,841)	6,595
Decrease (Increase) Difference in projected and actual earnings	13,365	(13,359)	13,365
Increase (Decrease) in Net Pension Liability	2,100	25,327	2,100
Net Cash Provided (Used) by Operating Activities	<u>\$174,814</u>	<u>\$277,795</u>	<u>\$171,464</u>

Noncash Investing, Capital, and Financing Activities: None

Note: The above funds are all enterprise funds.

The notes to the financial statements are an integral part of this statement.



CITY OF POTH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

I. Summary of significant accounting policies

A. Reporting entity/ Basis of Accounting/Measurement Focus

The City of Poth, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Poth, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government'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 economic development fund MMF used for special projects and for debt service on the 2017 bonds.

D. Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 utility fund (water, sewer, and garbage) are charges to customers for sales and services. Operating expenses for enterprise 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 nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the government's water, sewer and garbage operations.

E. Blended Component Units

The Poth Economic Development EDC and MMF are governed by boards appointed by the City Council who has the ability to impose their will on the Poth Economic Development EDC and MMF. Although they are legally separate from the City, the Poth Economic Development EDC and MMF are reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. They are reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component units.

F. Assets, liabilities, and Net Position or equity

1. Deposits and investments

The government'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.

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2017, the trade accounts receivable allowance in excess of 60 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2017, the trade accounts receivable allowance in excess of 90 days is equal to 100 percent of outstanding trade accounts receivable at September 30, 2017. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2017, and 10 percent of delinquent outstanding property taxes at September 30, 2017.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2017.

There were no prepaid items at September 30, 2017.

4. Restricted assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Monies are set aside in the general fund for future projects and are maintained in a separate bank account.

The restricted assets at September 30, 2017 were as follows:

Type	Governmental Activities	Business-Type Activities	Total
Administration	\$23,864	\$361,972	\$385,836
Economic Development	227,017	0	227,017
Public Safety	16,925	0	16,925
Street Maintenance	13,393	0	13,393
	<u>\$281,199</u>	<u>\$361,972</u>	<u>\$643,171</u>

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City is performing public improvements for street paving and water and sewer improvements.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. Long-term obligations

In the government-wide financial statements and 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 type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

8. Fund Balances – Governmental Funds

As of September 30, 2017, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2017, fund balances are composed of the following:

Fund Balances:	
Restricted	
Economic Development	\$227,017
Public Safety	22,388
Committed	
Administration	32,716
Street Maintenance	13,393
Unassigned	<u>288,221</u>
Total Fund Balance	<u>\$583,735</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

The City Council has not adopted a minimum fund balance policy.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$431,920 difference are as follows:

Bonds Payable	\$365,297
Accrued Interest Payable	1,096
Net Pension Liability	61,382
Compensated Absences	<u>4,145</u>
	<u>\$431,920</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,375,298 difference are as follows:

Capital Assets Not Being Depreciated	\$193,016
Capital Assets Being Depreciated	2,907,039
Accumulated Depreciation	(724,757)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$2,375,298</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$29,901 difference are as follows:

Property Taxes Receivable	\$32,387
Allowance for Doubtful Accounts	<u>(2,486)</u>
Net	<u>\$29,901</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$1,620 difference are as follows:

Fines and Fees Receivable	\$5,641
Allowance for Doubtful Accounts	<u>(4,021)</u>
Net	<u>\$1,620</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$173,882 difference are as follows:

Capital Outlay - Additions	\$237,616
Capital Outlay - Dispositions - Net	0
Depreciation Expense	(63,734)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$173,882</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the Mayor. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the Mayor is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2017.

B. Excess of expenditures over appropriations

For the year ended September 30, 2017, excess of expenditures over appropriations did not occur in the general fund; actual expenditures of \$533,536 were less than the budgeted expenditures of \$620,250 by \$86,714. There was no budget adopted for the Economic Development MMF Fund.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2017.

IV. Detailed notes on all funds

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is not in substantial compliance with the requirements of the Act and with local policies; however, the City has not adopted a current investment policy and does not have a certified investment officer.

Policies Governing Deposits and Investments

- a. The City's deposits and certificates of deposit are entirely with the city's two depositories and are entirely covered by federal depository insurance (FDIC) or by collateral held by the government's agent in the government's name. The FDIC insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral. As of year end, the carrying amount of the City's total bank balances totaled \$1,270,562 while the value of securities pledged at September 30, 2017 is \$2,052,531. The book amount of cash at September 30, 2017 is \$1,206,003.

The securities are held by the pledging financial institution's trust department or agent in the City's name.

The City had no investments at September 30, 2017.

B. Receivables

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Utility</u>	<u>Total</u>
<u>Receivables</u>			
Taxes	\$32,387		\$32,387
Accounts		94,649	94,649
Other			0
Fines	5,641		5,641
Gross Receivables	38,028	94,649	132,677
Less: Allowance for Uncollectibles	6,507	14,246	20,753
Net Total Receivables	<u>\$31,521</u>	<u>\$80,403</u>	<u>\$111,924</u>

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

	<u>Unearned Revenue</u>
Delinquent property taxes receivable (General fund)	<u>\$ 29,901</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 29,901</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2017 was as follows:

Governmental Activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$181,033	\$0	\$0	\$181,033
Construction in Progress	0	11,983		11,983
Total capital assets not being depreciated:	181,033	11,983	0	193,016
Capital assets being depreciated:				
Building and Improvements	269,870		0	269,870
Machinery, Equipment and Vehicles	208,695	0		208,695
Infrastructure	2,202,841	225,633	0	2,428,474
Total capital assets being depreciated:	2,681,406	225,633	0	2,907,039
Less: Accumulated Depreciation for:				
Building and Improvements	119,586	13,714	0	133,300
Machinery, Equipment and Vehicles	203,423	2,988		206,411
Infrastructure	338,014	47,032	0	385,046
Total Accumulated Depreciation	661,023	63,734	0	724,757
Total Capital Assets Depreciated, Net	2,020,383	161,899	0	2,182,282
Governmental Activities capital assets, Net	\$2,201,416	\$173,882	\$0	\$2,375,298
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$82,134	\$0	\$0	\$82,134
Construction In Progress	0	0		0
Total capital assets not being depreciated:	82,134	0	0	82,134
Capital assets being depreciated:				
Building and Improvements	5,993,700	136,070		6,129,770
Machinery, Equipment and Vehicles	355,498	70,500	270	425,728
Total capital assets being depreciated:	6,349,198	206,570	270	6,555,498
Less: Accumulated Depreciation for:				
Building and Improvements	3,147,161	91,275		3,238,436
Machinery, Equipment and Vehicles	293,587	20,215	270	313,532
Total Accumulated Depreciation	3,440,748	111,490	270	3,551,968
Total Capital Assets Depreciated, Net	2,908,450	95,080	0	3,003,530
Business-Type Activities Capital Assets, Net	\$2,990,584	\$95,080	\$0	\$3,085,664

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

Governmental Activities	
General Administration	\$1,017
Public Safety	5,453
Public Transportation	46,933
Culture and Recreation	10,331
Total Depreciation Expense - Governmental Activities	<u>\$63,734</u>
Business-Type Activities	
Utility	<u>\$111,490</u>
Total Depreciation Expense - Business-Type Activities	<u>\$111,490</u>

Construction commitments:

The City is performing public improvements for street paving and water and sewer improvements.

D. Inter-fund receivables, payables, and transfers

The City had no due to/from other funds at September 30, 2017.

The intra-fund fund transfers for the year ended September 30, 2017 are non-recurring and are as follows:

<u>TRANSFER</u>		<u>AMOUNT</u>	<u>REASON</u>
<u>FROM</u>	<u>TO</u>		
GENERAL FUND	ECONOMIC DEVELOPMENT MMF	\$197,808	DEBT SERVICE
GENERAL FUND	EMERGENCY FACILITY FUND	20,000	DEBT SERVICE
CAPITAL PROJECTS EDC FUND	ECONOMIC DEVELOPMENT EDC FUND	16,530	CAPITAL PROJECTS
UTILITY FUND	ECONOMIC DEVELOPMENT MMF	50,000	PARK
		<u>\$284,338</u>	

E. Leases

Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$4,068 for the year ended September 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	<u>Amount</u>
2018	\$ 3,368
2019	2,388
2020	0
2021	0
2022	<u>0</u>
Total	<u>\$ 5,756</u>

Rent expenditures were \$0 for the year ended September 30, 2017. Sublease rental income was \$11,000 for the year ended September 30, 2017.

F. Long-term debt

Bonds

The government issued Tax and Revenue Refunding Bonds, Series 2016 in the year 2016. The original amount of refunded bonds issued is \$1,237,000. The City refunded the combination Tax and Revenue bonds, Series 2005 (\$1,177,822). The overall net present value savings expected by the refunding is \$99,655.

The Tax and Revenue Refunding Bonds are direct obligations and pledge the full faith and credit of the government and are secured by both the ad valorem taxes and utility revenue sources. The refunding bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>	<u>Collateral</u>
Governmental activities	2.40	\$365,296	Ad Valorem Taxes and Utility Revenues
Business-type activities	2.40	\$730,704	Ad Valorem Taxes and Utility Revenues

Year Ending September 30,	Governmental Activities		Business-Type Activities		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$42,000	\$8,264	\$84,000	\$16,528	\$126,000	\$24,792	\$150,792
2019	43,000	7,244	86,000	14,488	129,000	21,732	150,732
2020	44,000	6,200	88,000	12,400	132,000	18,600	150,600
2021	45,000	5,132	90,000	10,264	135,000	15,396	150,396
2022	46,000	4,040	92,000	8,080	138,000	12,120	150,120
2023 to 2025	145,296	5,288	290,704	10,576	436,000	15,864	451,864
TOTALS	\$365,296	\$36,168	\$730,704	\$72,336	\$1,096,000	\$108,504	\$1,204,504

The general fund (33.33%) and the utility funds (66.67%) are used to service the bonds.

The changes in long-term liabilities are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due after One Year</u>
<u>Governmental Activities:</u>						
G.O. Bonds	\$406,292	\$0	\$40,996	\$365,296	\$41,996	\$323,300
Total Bonds Payable	406,292	0	40,996	365,296	41,996	323,300
Net Pension Liability	59,912	1,471		61,383		61,383
Compensated Absences	4,513	4,145	4,513	4,145	4,145	0
Total Governmental Activities	470,717	5,616	45,509	430,824	46,141	384,683
<u>Business-Type Activities:</u>						
Revenue Bonds	812,708	0	82,004	730,704	84,004	646,700
Total Bonds Payable	812,708	0	82,004	730,704	84,004	646,700
Net Pension Liability	60,176	2,099		62,275		62,275
Compensated Absences	5,265	5,282	5,265	5,282	5,282	0
Total Business-Type Activities	878,149	7,381	87,269	798,261	89,286	708,975
Grand Total	\$1,348,866	\$12,997	\$132,778	\$1,229,085	\$135,427	\$1,093,658

The general fund and the business type funds are used to service the compensated absences. The estimated amount due in the 2017-18 year is \$9,427. The government-wide statement of activities includes \$135,427 as "noncurrent liabilities, due within one year". There was no interest capitalized in the utility fund but rather all the interest was expensed.

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

Changes in accrued liabilities for these claims follow:

	Year ended <u>09/30/16</u>	Year ended <u>09/30/17</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)	-0-	-0-
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Related party transaction

Paul Martinez, Council Member, works for Kolodziej Produce, the City spent \$43.68 for the 2016-2017 fiscal year.

Rose Huizar, City Secretary, sister performed cleaning services to the City at a cost of \$1,820.00 for the 2016-2017 fiscal year.

At year's end there were no amounts owed to any of the above nor did any of the above owe any amounts to the City.

C. Subsequent events

On June 18, 2018, City Council approved the \$180,000.00 option for the 2018 Seal Coat Project which includes streets on the south side of the City.

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is not a defendant in any lawsuit.

E. Other Post Employment Benefits

The City provides the following coverage for certain retirees.

The employer's City of Poth definition of a retiree: The City defines retirees as: an employee classified as a regular full time employee, having worked for the City for ten or more years, having reached the age of 65, and entitled to Medicare.

The benefits available for retirees are as follows: Medicare Supplement Plan with Prescription Benefits.

The contribution level for retiree coverage: The City provides retiree medical coverage of \$50.00 (Fifty Dollars) contribution monthly toward the Covered Premium.

The City paid premiums for two retirees in the 2016-2017 year at a total cost of \$1,200.

F. Investment in Floresville Electric Light and Power

The City is one of three joint venture investors (investors) in the Floresville Electric Light and Power System (FELPS). In an agreement signed during the fiscal year ending September 30, 1998, the City acquired a permanent 18% undivided equity interest in FELPS. This interest shall remain constant regardless of subsequent differences in rates of growth, population, or consumption. Also, under the agreement, FELPS agreed to annually distribute in the aggregate to the investors an amount not greater than 3% of the dollar value of annual electric sales for the entire system for the year. The amount distributed to each investor is based on the respective equity percentage applied to the total amount approved for distribution by the FELPS board. Distributions are paid monthly in amounts equal to one-twelfth (1/12) of the total distribution amount determined based on sales for the previous year.

For the calendar year ended December 31, 2016 (the fiscal year of FELPS), FELPS' net income was \$4,158,854, of which 18%, or \$748,594 is the City's portion. During the calendar year ended December 31, 2017, the City received distributions of prior year revenue of \$197,553.

During the year ended September 30, 2017 the City reported distributions of \$205,173 based on the calendar years ended December 31, 2015 and 2016 electric sales.

The following represents an excerpt of the audited balance sheet of FELPS as of December 31, 2016.

Total Assets	<u>\$79,707,691</u>
Equity - City of Poth	\$6,368,366
Equity - Other Participants	<u>29,011,444</u>
Total Equity	35,379,810
Liabilities	<u>44,327,881</u>
Total Equity and Liabilities	<u>\$79,707,691</u>
Balance at January 1, 2016	\$5,817,326
Net Income	748,594
Effect of defined benefit plan funding obligations	0
Cash Distributions	<u>(197,553)</u>
Balance at December 31, 2016	<u>\$6,368,366</u>

G. Defined Benefit Pension Plans

EXECUTIVE SUMMARY as of December 31, 2016

Actuarial Valuation and Measurement Date, December 31,	2015	2016
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	4	4
- Inactive employees entitled to but not yet receiving benefits	7	9
- Active employees	<u>11</u>	<u>11</u>
- Total	22	24
Covered Payroll	\$ 381,905	\$ 374,270
Net Pension Liability		
Total Pension Liability	\$ 602,087	\$ 652,429
Plan Fiduciary Net Position	<u>481,998</u>	<u>528,770</u>
Net Pension Liability	\$ 120,089	\$ 123,659
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.05%	81.05%
Net Pension Liability as a Percentage of Covered Payroll	31.44%	33.04%
 Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate*	3.57%	3.78%
Last year ending December 31 in the 100 year projection period for which projected benefit payments are fully funded	N/A	N/A

*Based on the Bond Buyer 20 Bond Index of general obligation bonds as of December 31, 2015 and December 29, 2016 respectively as these are the weekly rate closest to but not later than the Measurement Dates.

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$ 35,369
2. Interest on the Total Pension Liability	41,003
3. Changes in Current Period Benefits Including Substantively Automatic Status	0
4. Employee Contributions (Reduction of Expense)	(26,199)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(32,535)
6. Administrative Expense	368
7. Other Changes in Fiduciary Net Position	20
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(306)
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	(2)
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	3,606
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	<u>7,820</u>
12. Total Pension Expense (Income)	\$ 29,144

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2016 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.5200	\$ (1,381)	\$ (306)	\$ (1,075)
Change in assumptions [actuarial (gains) or losses]	4.5200	\$ 0	\$ 0	\$ 0
			<u>\$ (306)</u>	<u>\$ (1,075)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (12)	\$ (2)	\$ (10)
Total:			<u>\$ (2)</u>	<u>\$ (1,085)</u>

B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of Resources
2017	\$ 11,118
2018	11,119
2019	9,797
2020	(161)
2021	0
Thereafter	<u>0</u>
Total	\$ 31,873

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. **The data in this schedule is based on the City's fiscal year-end**, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (**excludes portion of rate for Supplemental Death Benefits Fund**) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB-Employer Reporting Guide."

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$201,459	\$123,659	\$58,582

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

I. Economic Assumptions

A. General Inflation - General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
2. For the Supplemental Death Benefits Fund, the rate is 4.25% per year, compounded annually, and derived as a blend of 5.00% for the portion of the benefits financed by advance funding contributions and a short-term interest rate for the portion of the benefits financed by current contributions.
3. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth - 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases -

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	<u>Rate (%)</u>
	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Poth annual annuity increases of 0.00% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

- For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Poth the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Poth the base table is then multiplied by a factor of 80.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other - 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1-1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 97.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33-47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1 - 1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. *Methods and Assumptions*

- A. Valuation of Assets - The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary. For the purpose of determining the UAAL and annual required contribution associated with the Supplemental Death Trust, assets are valued at the Fund Value.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost 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 normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30 year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25 year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

For the purpose of determining the annual required contribution associated with the Supplemental Death Trust the amortization of the UAAL is done using a 25 year open period.

D. Small City Methodology - For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

- E. Supplemental Death Benefit - The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Trust, the SDB rate for retiree coverage is currently only one-third of the total term cost.

IV. Other Assumptions

- I. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
- 2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
- 3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
- 4. Percent married: 100% of the employees are assumed to be married.
- 5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.
9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

17. The decrement rates for service related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Amortization Schedule
Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization)	Total Remaining (inflow) or Outflow of Resources	Measurement Year							
			2016	2017	2018	2019	2020	2021	Thereafter	
Due to Liabilities:										
difference in experiences (inflows) /outflows										
2016	4.5200	(1,381)	(306)	(306)	(306)	(306)	(306)	(157)	0	0
2015	4.0000	(74)	(18)	(18)	(18)	(18)	(20)	0	0	0
2014	3.5206	1,171	333	333	333	172	0	0	0	0
Total			\$ 9	\$ 9	\$ 9	\$ (154)	\$ (157)	\$ 0	\$ 0	\$ 0
change in assumptions (inflows) /outflows										
2015	4.0000	13,162	3,291	3,291	3,291	3,289	0	0	0	0
Total			\$ 3,291	\$ 3,291	\$ 3,291	\$ 3,289	\$ 0	\$ 0	\$ 0	\$ 0
Due to Assets:										
excess investment returns (inflows)/outflows										
2016	5.0000	(12)	(2)	(2)	(2)	(2)	(4)	0	0	0
2015	4.0000	26,659	6,665	6,665	6,665	6,664	0	0	0	0
2014	3.0000	3,466	1,155	1,155	1,156	0	0	0	0	0
Total			\$ 7,818	\$ 7,818	\$ 7,819	\$ 6,662	\$ (4)	\$ 0	\$ 0	\$ 0



REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2016	2015	2014
1. Service Cost	\$35,369	\$34,486	\$34,099
2. Interest (on the Total Pension Liability)	41,003	38,604	36,028
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	(1,381)	(92)	1,837
5. Changes of assumptions	0	16,453	0
6. Benefit payments, including refunds of employee contributions	24,649	(43,220)	(27,498)
7. Net change in total pension liability	50,342	46,231	44,466
8. Total pension liability -- beginning	602,087	555,856	511,390
9. Total pension liability - ending	652,429	602,087	555,856

B. Plan fiduciary net position

1. Contributions - employer	13,063	11,915	10,251
2. Contributions - employee	26,199	26,733	26,478
3. Net investment income	32,547	718	25,832
4. Benefit payments, including refunds of employee contributions	(24,649)	(43,220)	(27,498)
5. Administrative Expense	(368)	(437)	(270)
6. Other	(20)	(22)	(22)
7. Net change in plan fiduciary net position	46,772	(4,313)	34,771
8. Plan fiduciary net position - beginning	481,998	486,311	451,540
9. Plan fiduciary net position - ending*	528,770	481,998	486,311

C. Net pension liability (A.9 - B.9)	<u>\$123,659</u>	<u>\$120,089</u>	<u>\$69,545</u>
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D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)	81.05%	80.05%	87.49%
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E. Covered-employee payroll (B.9 / A.9)	\$374,270	\$381,905	\$378,260
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SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

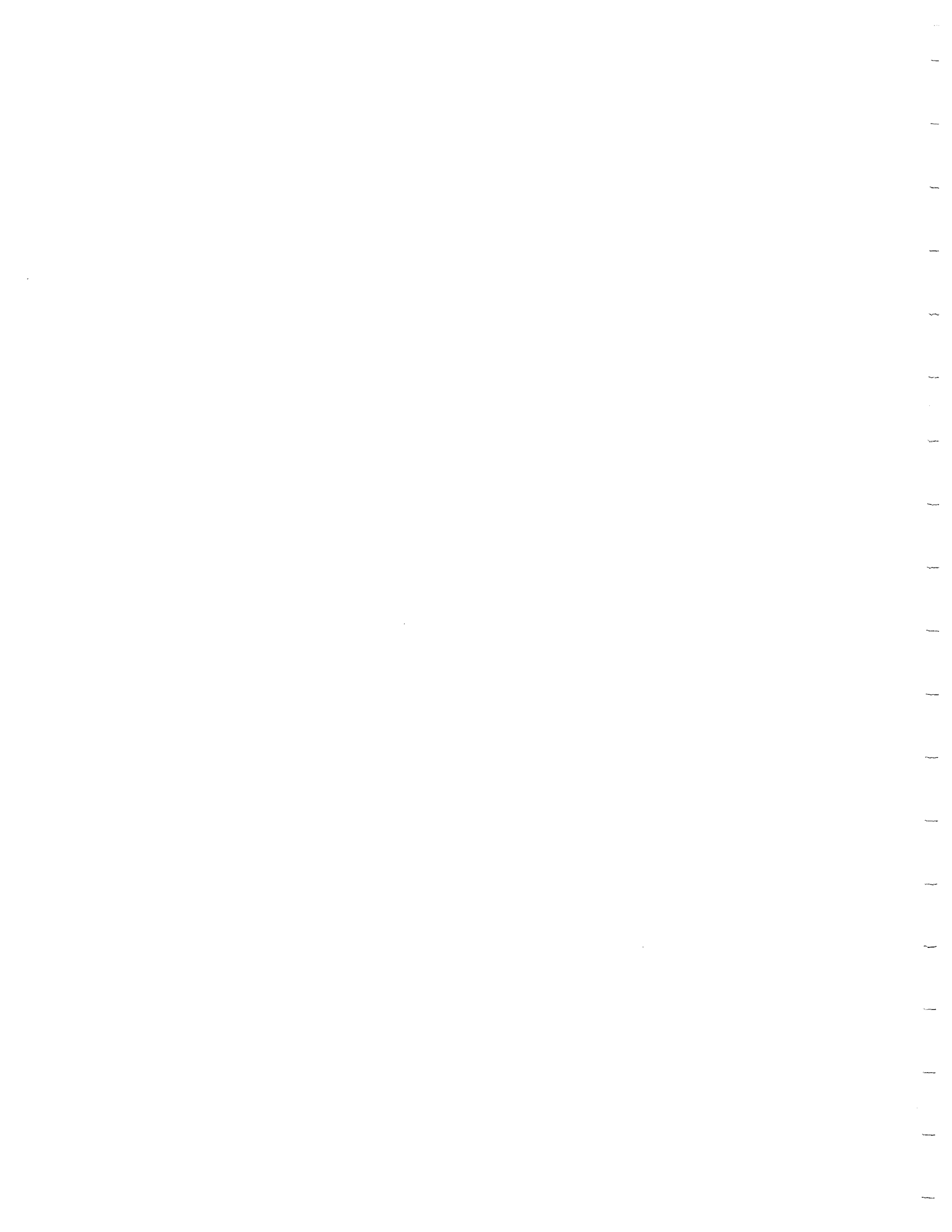
Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50 % to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF POTH, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

		SPECIAL REVENUE							
Agency Fund	COP-Sync	Court Technology Fund	Economic Development EDC Fund	Emergency Facility Fund	Capital Projects EDC Fund	Park Project EDC Fund	Ride to Remember	Total	
ASSETS									
Cash and Cash Equivalents	\$331	\$140	\$5,323				\$8,521	\$14,315	
Restricted Assets:									
Cash and Cash Equivalents			149,577	16,925	39,895	23,864		230,261	
Total Assets	\$331	\$140	\$5,323	\$149,577	\$16,925	\$39,895	\$23,864	\$8,521	\$244,576
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable								\$0	
Total Liabilities	0	0	0	0	0	0	0	0	
Fund Balances									
Restricted									
Economic Development			149,577		39,895			189,472	
Public Safety	140	5,323		16,925				22,388	
Committed									
Administration	331					23,864	8,521	32,716	
Total Fund Balances	331	140	5,323	149,577	16,925	39,895	23,864	8,521	244,576
TOTAL LIABILITIES AND FUND BALANCES	\$331	\$140	\$5,323	\$149,577	\$16,925	\$39,895	\$23,864	\$8,521	\$244,576

The notes to the financial statements are an integral part of this statement.

CITY OF POTH, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

		SPECIAL REVENUE							
Agency	COP-	Court	Economic	Emer-	Capital	Park	Ride		
Fund	Sync	Techno- logy Fund	Development EDC Fund	gency Facility Fund	Projects EDC Fund	Project EDC Fund	to Remember	Total	
REVENUES									
Taxes									
Sales			\$50,522					\$50,522	
Intergovernmental								\$0	
Charges for Services		4,742					8,273	13,015	
Interest	2		120		45			167	
Miscellaneous	300		28,379				4,800	33,479	
Total Revenues	302	0	4,742	79,021	0	45	0	13,073	97,183
EXPENDITURES									
Current:									
General Administration									
General Administration	180		2,912				20,016	23,108	
Public Safety									
Police Department				3,075				3,075	
Municipal court		3,260						3,260	
Capital Projects					10			10	
Total Expenditures	180	0	3,260	2,912	3,075	10	0	20,016	29,453
Excess (Deficiency) of Revenues Over (Under)									
Expenditures	122	0	1,482	76,109	(3,075)	35	0	(6,943)	67,730
OTHER FINANCING SOURCES (USES):									
Operating Transfers In			16,530	20,000				36,530	
Operating Transfers Out					(16,530)			(16,530)	
Total Other Financing Sources (Uses)	0	0	0	16,530	20,000	(16,530)	0	0	20,000
Net Changes in Fund Balances	122	0	1,482	92,639	16,925	(16,495)	0	(6,943)	87,730
Fund Balances - Beginning	209	140	3,841	56,938	0	56,390	23,864	15,464	156,846
Fund Balances - Ending	\$331	\$140	\$5,323	\$149,577	\$16,925	\$39,895	\$23,864	\$8,521	\$244,576

The notes to the financial statements are an integral part of this statement.

