

CITY OF POTH, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Also, 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.

Lastly, we were unable to determine the correctness of both utility receivables and their aging at September 30, 2018. Accounting standards and accounting principles generally accepted in the United States of America require that the financial position and the results of operations be presented fairly in accordance with accounting principles generally accepted in the United States of America.

The amount by which these departures 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 City of Poth, Texas, as of September 30, 2018, 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, Employee Retirement System Information, and the OPEB system information on pages 3–13, 72-73, and 74 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.

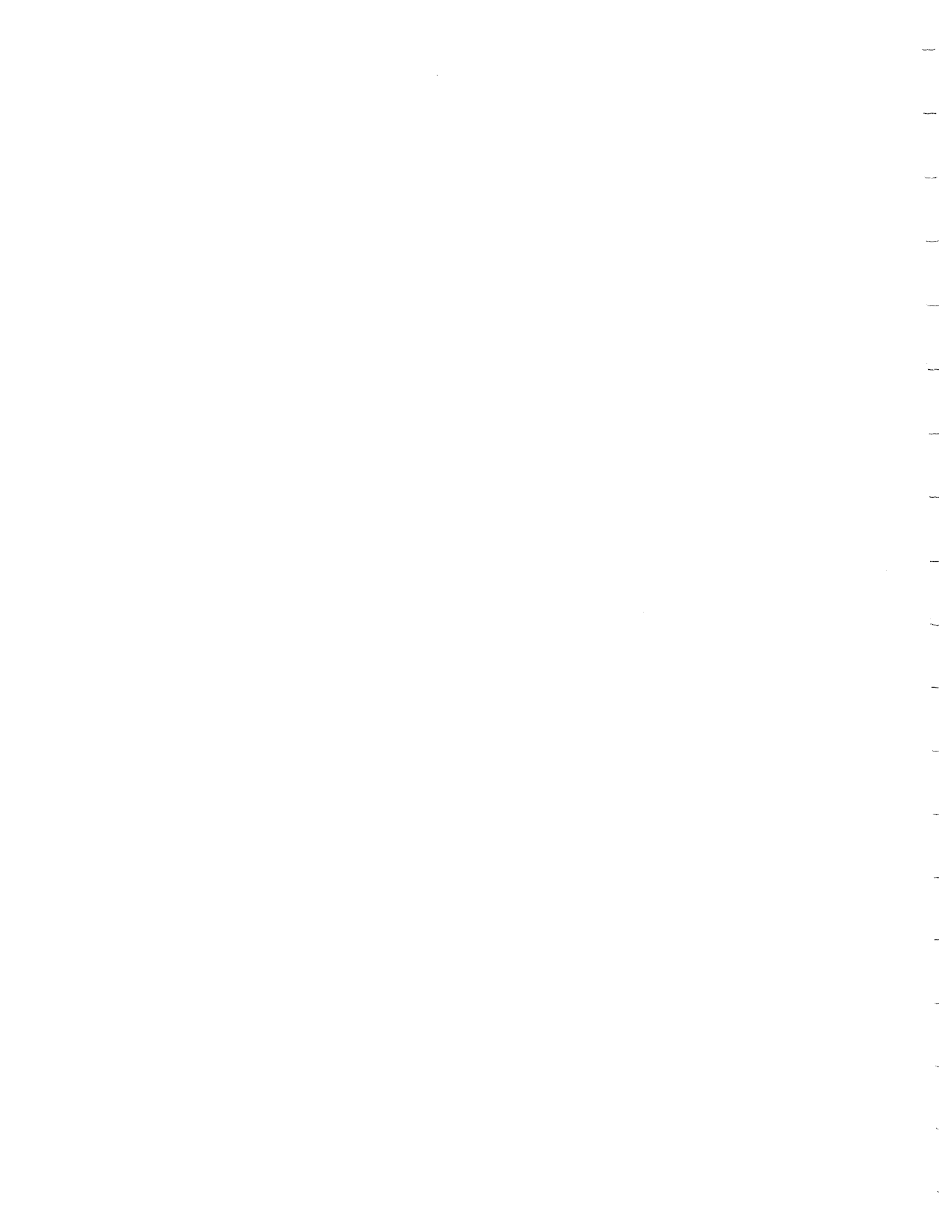
Other Information

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
May 20, 2019



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, 2018.

Financial Highlights:

The assets of the City of Poth, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$5,925,302 (net position). Of this amount, \$683,777 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 \$402,597. The reason for the increase was an increase in charges for services of \$72,890 and careful budget management.

As of the close of the current fiscal year, the City of Poth, Texas' governmental funds reported combined ending fund balances of \$692,740. Approximately 42% of this total amount, \$292,180, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$292,180, or 59 percent of total general fund expenditures.

The City of Poth, Texas' total restricted net position at September 30, 2018 is \$825,054 at September 30, 2018 or 14%. The increase for the year was \$213,677. The reason for the increase was sales taxes exceeding economic development expenditures.

The City of Poth, Texas' total debt decreased by \$148,202 (12 percent) during the current fiscal year. The key factor is the payment of bonded debt of \$126,000.

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 26-71 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 72-74 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 75-76 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 \$5,925,302 at the close of the most recent fiscal year.

By far the largest portion of the City of Poth, Texas' net position (75 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	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$363,838	\$363,092	\$319,728	\$311,664	\$683,566	\$674,756
Restricted Assets	384,906	281,199	535,246	361,972	920,152	643,171
Capital Assets:	2,516,918	2,375,298	2,936,695	3,085,664	5,453,613	5,460,962
Total Assets	<u>3,265,662</u>	<u>3,019,589</u>	<u>3,791,669</u>	<u>3,759,300</u>	<u>7,057,331</u>	<u>6,778,889</u>
Total Deferred Outflows of Resources	<u>26,654</u>	<u>29,837</u>	<u>59,920</u>	<u>52,919</u>	<u>86,574</u>	<u>82,756</u>
Long-Term Liabilities	396,152	440,780	718,253	821,827	1,114,405	1,262,607
Other Liabilities	25,452	30,131	48,701	45,117	74,153	75,248
Total Liabilities	<u>421,604</u>	<u>470,911</u>	<u>766,954</u>	<u>866,944</u>	<u>1,188,558</u>	<u>1,337,855</u>
Total Deferred Outflows of Resources	<u>8,923</u>	<u>447</u>	<u>21,122</u>	<u>638</u>	<u>30,045</u>	<u>1,085</u>
Invested in Capital Assets, Net of Related Debt	2,193,617	2,010,001	2,222,854	2,292,685	4,416,471	4,302,686
Restricted	289,808	249,405	535,246	361,972	825,054	611,377
Unrestricted	378,364	318,662	305,413	289,980	683,777	608,642
Total Net Position	<u>\$2,861,789</u>	<u>\$2,578,068</u>	<u>\$3,063,513</u>	<u>\$2,944,637</u>	<u>\$5,925,302</u>	<u>\$5,522,705</u>

An additional portion of the City of Poth, Texas' net position (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$683,777 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 \$402,597. The reason for the increase was an increase in charges for services of \$72,890 and careful budget management.

Governmental Activities:

Governmental activities increased the City of Poth, Texas' net position by \$283,721, thereby accounting for 70 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$122,855	\$116,722	\$1,060,202	\$993,445	\$1,183,057	\$1,110,167
General Revenues:						
Maintenance and Operations Taxes	233,085	230,362			233,085	230,362
Sales Taxes	177,828	176,826			177,828	176,826
Franchise Taxes	246,463	242,575			246,463	242,575
Licenses and Permits	6,600	7,246			6,600	7,246
Unrestricted Investment Earnings	668	590	799	736	1,467	1,326
Miscellaneous	36,331	57,715			36,331	57,715
Total Revenue	823,830	832,036	1,061,001	994,181	1,884,831	1,826,217
Expenses:						
General Administration	186,817	186,597			186,817	186,597
Public Safety	152,497	190,058			152,497	190,058
Public Transportation	152,971	116,160			152,971	116,160
Culture and Recreation	37,718	33,962			37,718	33,962
Interest and Fiscal Charges	10,106	11,367			10,106	11,367
Utility			942,125	964,350	942,125	964,350
Total Expenses	540,109	538,144	942,125	964,350	1,482,234	1,502,494
Increase in Net Position Before Transfers and Special Items	283,721	293,892	118,876	29,831	402,597	323,723
Transfers	0	50,000	0	(50,000)	0	0
Increase in Net Position	283,721	343,892	118,876	(20,169)	402,597	323,723
Net Position at 09/30/2017 - Restated	2,578,068	2,234,176	2,944,637	2,964,806	5,522,705	5,198,982
Net Position at 09/30/2018	\$2,861,789	\$2,578,068	\$3,063,513	\$2,944,637	\$5,925,302	\$5,522,705

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$186,817	\$8,636	\$0
Public Safety	152,497	114,219	
Public Transportation	152,971		
Culture and Recreation	37,718		
Interest and Fiscal Charges	10,106		
Total Government Activities	<u>\$540,109</u>	<u>\$122,855</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$122,855	15%
Maintenance and Operations Taxes	233,085	28%
Sales Taxes	177,828	22%
Franchise Taxes	246,463	30%
Licenses and Permits	6,600	1%
Unrestricted Investment Earnings	668	0%
Miscellaneous	36,331	4%
	<u>\$823,830</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 increased the City of Poth, Texas' net position by \$118,876, thereby accounting for 30 percent of the total growth in the net position of the City of Poth, Texas. The reason for the increase was an increase in charges for services of \$66,757 and careful budget management.

- . Charges for services for business-type activities increased by \$66,757 or 7%.
- . Total expenses decreased by \$22,225 or 2%.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Utility	\$942,125	\$1,060,202	\$0
Total Business-Type Activities	\$942,125	\$1,060,202	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$1,060,202	100%
Unrestricted Investment Earnings	799	0%
	\$1,061,001	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 \$692,740, an increase of \$109,005 in comparison with the prior year. Approximately 42 percent of this total amount \$292,180 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 \$292,180, while total fund balance reached \$367,144. 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 59 percent of total general fund expenditures, while total fund balance represents 74 percent of that same amount.

The fund balance of the City of Poth, Texas' general fund increased by \$65,530 during the current fiscal year. This increase is primarily a result of a reduction of street expenditures of \$76,705.

At the end of the current fiscal year, unassigned fund balance of the economic development MMF fund was \$00, while total fund balance reached \$16,260. 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 8 percent of that same amount.

The fund balance of the City of Poth, Texas' economic development MMF fund decreased by \$21,285 during the current fiscal year. This decrease is primarily a result of a decrease in transfers in of \$80,000.

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 \$305,413. The increase in net position was \$118,876. 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 no increase between the original budget and the final amended budget.

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, 2018, amounts to \$5,453,613 (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 decrease in the City of Poth, Texas' investment in capital assets for the current fiscal year was .13 percent (an 6 percent increase for governmental activities and a 5 percent decrease for business-type activities).

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

- Street paving improvements.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$181,033	\$181,033	\$82,134	\$82,134	\$263,167	\$263,167
Construction in Progress	16,983	11,983	0	0	16,983	11,983
Building and Improvements	126,455	136,570	0	0	126,455	136,570
Machinery and Equipment	36,956	2,284	119,809	112,196	156,765	114,480
Infrastructure	2,155,491	2,043,428	2,734,752	2,891,334	4,890,243	4,934,762
Total	\$2,516,918	\$2,375,298	\$2,936,695	\$3,085,664	\$5,453,613	\$5,460,962

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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$365,296	\$0	\$41,996	\$323,300	\$42,996	\$280,304
	365,296	0	41,996	323,300	42,996	280,304
<u>Business-Type Activities:</u>						
Bonds Payable	730,704	0	84,004	646,700	86,004	560,696
	730,704	0	84,004	646,700	86,004	560,696
Grand Total	<u>\$1,096,000</u>	<u>\$0</u>	<u>\$126,000</u>	<u>\$970,000</u>	<u>\$129,000</u>	<u>\$841,000</u>

The bonded debt of the City of Poth decreased by \$126,000 or (11%). This is a result of the payment of bond principal of \$126,000.

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 \$23,428,855 which is significantly in excess of the City of Poth, Texas' outstanding general obligation debt.

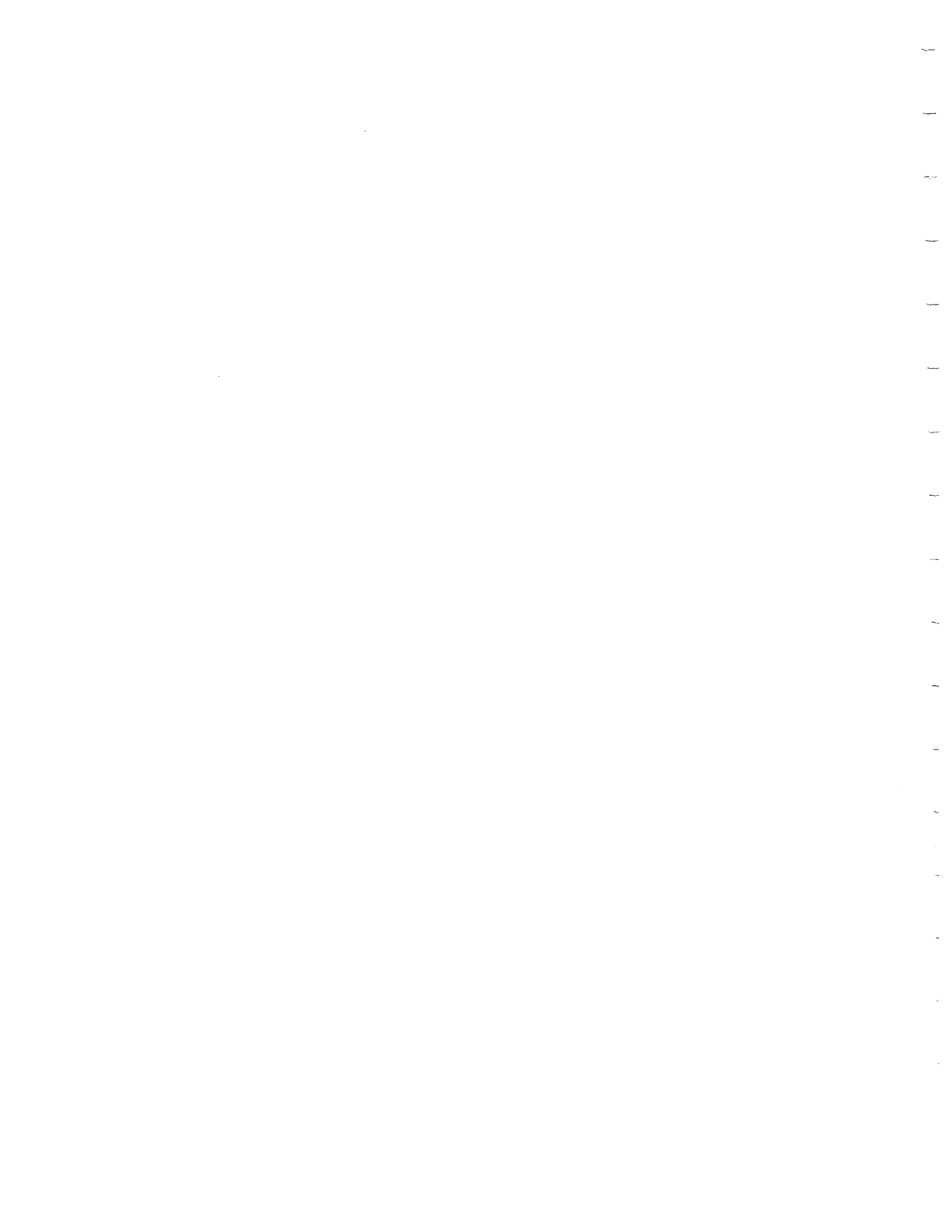
Additional information on the City of Poth, Texas' long - term debt can be found in Note IV F on page 39 of this report.

Economic Factors:

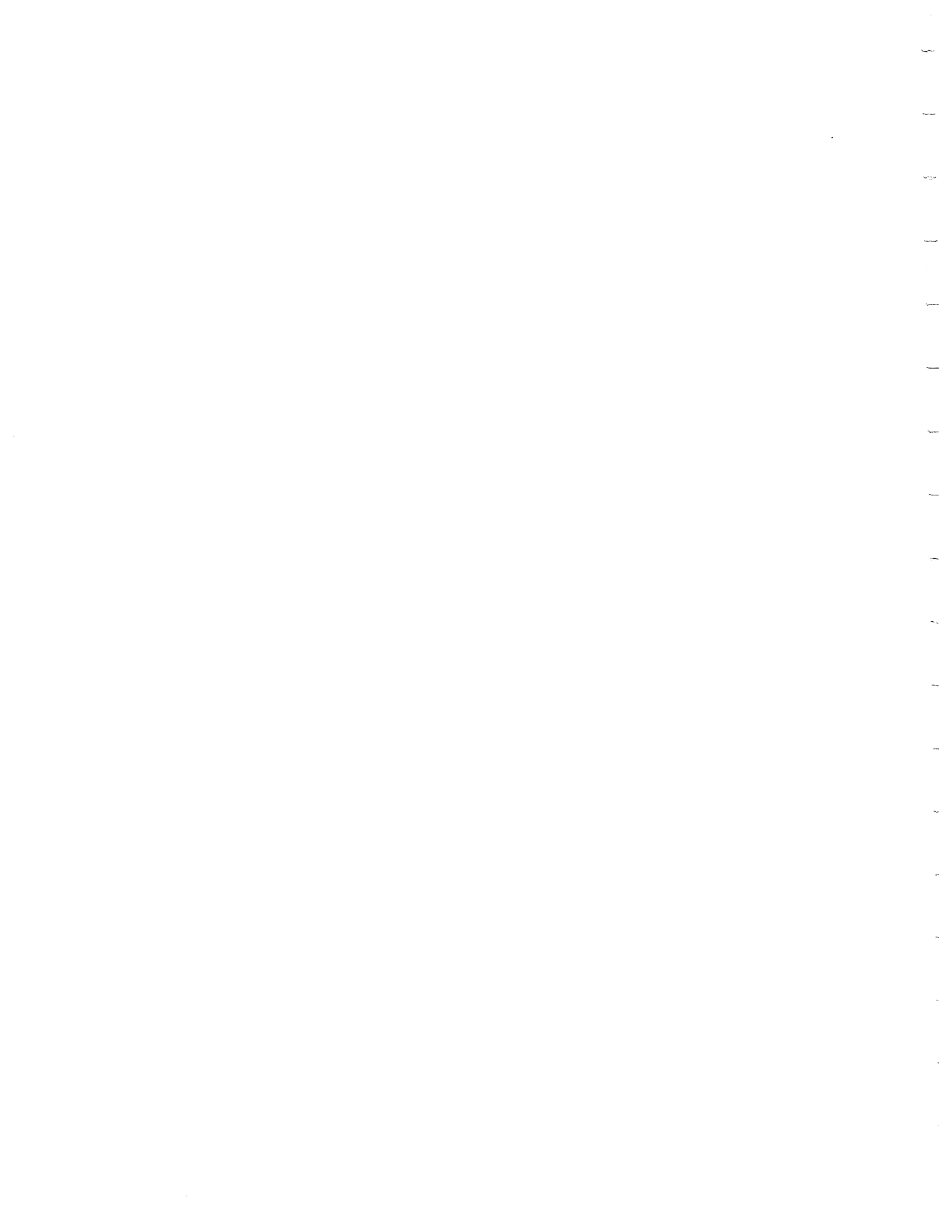
The Eagle Ford Oil and Gas Shale have brought in new businesses which have increased the sales taxes and charges for services.

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, 2018

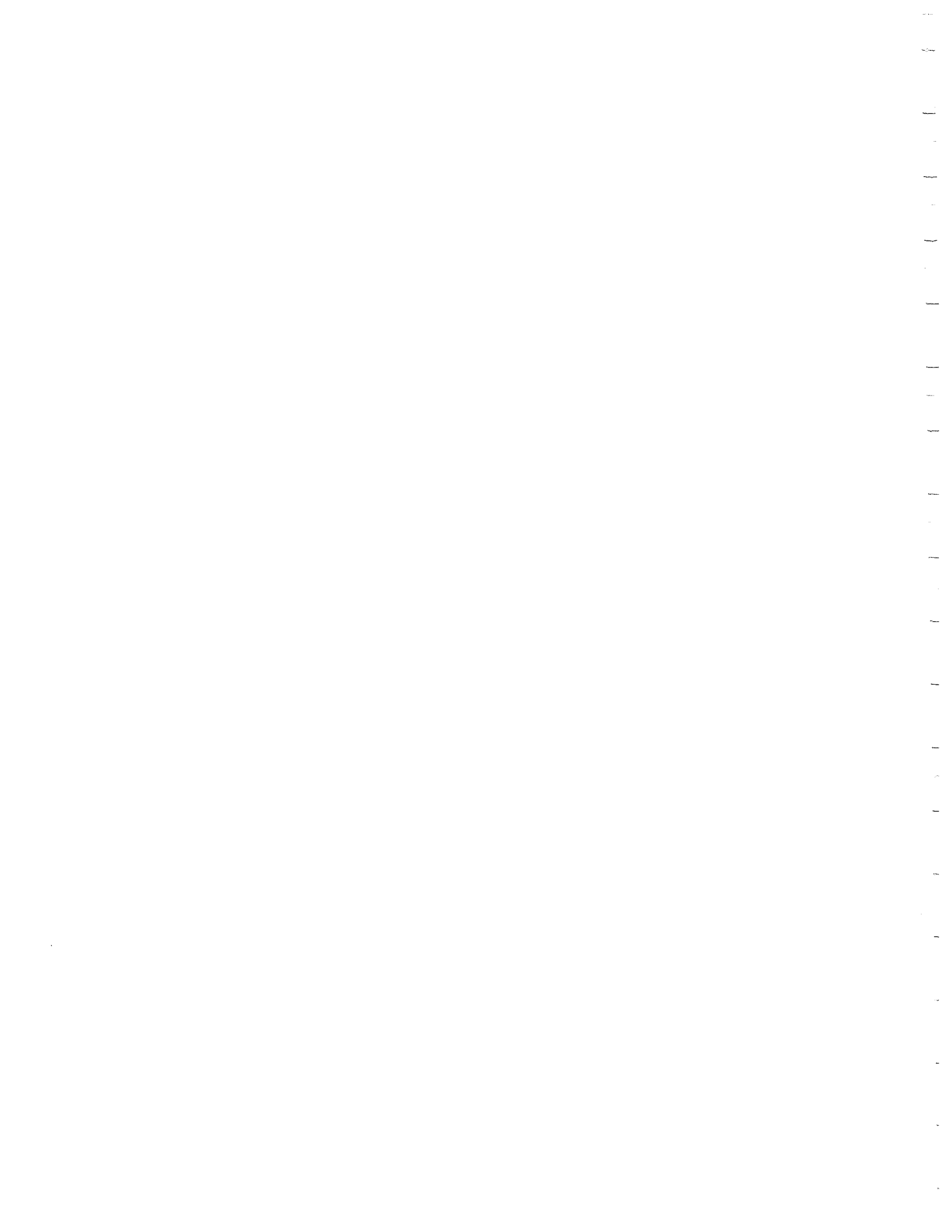
	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$332,316	\$239,325	\$571,641
Receivables (Net of Allowance for Uncollectibles)	31,522	80,403	111,925
Restricted Assets:			
Cash and Cash Equivalents	384,906	535,246	920,152
Capital Assets Not Being Depreciated:			
Land	181,033	82,134	263,167
Construction in Progress	16,983		16,983
Total Capital Assets Being Depreciated, Net			
Building and Improvements	126,455		126,455
Machinery and Equipment	36,956	119,809	156,765
Infrastructure	2,155,491	2,734,752	4,890,243
Total Assets	\$3,265,662	\$3,791,669	\$7,057,331
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	13,779	29,445	43,224
GASB 68			
Contributions (after 12/31/17)	10,940	25,896	36,836
Difference in expected and actual experience	1,286	3,043	4,329
GASB 75			
Difference in assumption changes	649	1,536	2,185
Total Deferred Outflows of Resources	26,654	59,920	86,574
LIABILITIES:			
Accounts Payable	\$15,069	\$35,000	\$50,069
Accrued Interest Payable	970	1,940	2,910
Accrued Wages	9,413	11,761	21,174
Noncurrent Liabilities:			
Due Within One Year	52,409	90,416	142,825
Due in More Than One Year	343,743	627,837	971,580
Total Liabilities	421,604	766,954	1,188,558
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	8,923	21,122	30,045
Total Deferred Inflows of Resources	8,923	21,122	30,045
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,193,617	2,222,854	4,416,471
Restricted			
Special Projects		535,246	535,246
Economic Development	253,153		253,153
Public Safety	36,655		36,655
Unrestricted	378,364	305,413	683,777
Total Net Position	\$2,861,789	\$3,063,513	\$5,925,302

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

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	\$186,817	\$8,636		(\$178,181)		(\$178,181)
Public Safety	152,497	114,219		(38,278)		(38,278)
Public Transportation	152,971			(152,971)		(152,971)
Culture and Recreation	37,718			(37,718)		(37,718)
Interest and Fiscal Charges	10,106			(10,106)		(10,106)
Total Government Activities	540,109	122,855	0	(417,254)	0	(417,254)
Business-Type Activities:						
Utility	942,125	1,060,202	0		118,077	118,077
Total Business-Type Activities	942,125	1,060,202	0	0	118,077	118,077
Total Primary Government	\$1,482,234	\$1,183,057	\$0	(\$417,254)	\$118,077	(\$299,177)
General Revenues						
Property Taxes, Levies for General Purposes				233,085		233,085
Sales Taxes				177,828		177,828
Franchise Taxes				246,463		246,463
Licenses and Permits				6,600		6,600
Unrestricted Investment Earnings				668	799	1,467
Miscellaneous				36,331		36,331
Transfers				0	0	0
Total General Revenues and Transfers				700,975	799	701,774
Change in Net Position				283,721	118,876	402,597
Net Position - Beginning - Restated				2,578,068	2,944,637	5,522,705
Net Position - Ending				\$2,861,789	\$3,063,513	\$5,925,302

The accompanying notes are an integral part of this statement.



FUND FINANCIAL STATEMENTS

CITY OF POTH, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Economic Development MMF Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$316,662	\$0	\$15,654	\$332,316
Receivables (Net of Allowance for Uncollectibles)	29,406			29,406
Restricted Assets:				
Cash and Cash Equivalents	74,964	16,260	293,682	384,906
Total Assets	\$421,032	\$16,260	\$309,336	\$746,628
LIABILITIES AND FUND BALANCES:				
Liabilities				
Accounts Payable	\$15,069		\$0	\$15,069
Accrued Wages	9,413			9,413
Total Liabilities	24,482	0	0	24,482
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	29,406			29,406
Fund Balances:				
Restricted				
Economic Development		16,260	236,893	253,153
Public Safety			36,655	36,655
Committed				
Administration			35,788	35,788
Street Maintenance	74,964			74,964
Unassigned	292,180			292,180
Total Fund Balance	367,144	16,260	309,336	692,740
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$421,032	\$16,260	\$309,336	\$746,628

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, 2018

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	\$692,740
Capital assets used in governmental activities are not reported in the funds.	2,516,918
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	29,406
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,116
Loss on Bond Refunding	13,779
GASB 68	
Contributions (after 12/31/16)	10,940
Difference in expected and actual experience	1,286
Difference in projected and actual earnings	(8,923)
GASB 75	
Difference in assumption changes	649
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(397,122)
Net Position of Governmental Activities - Statement of Net Position	<u>\$2,861,789</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, 2018

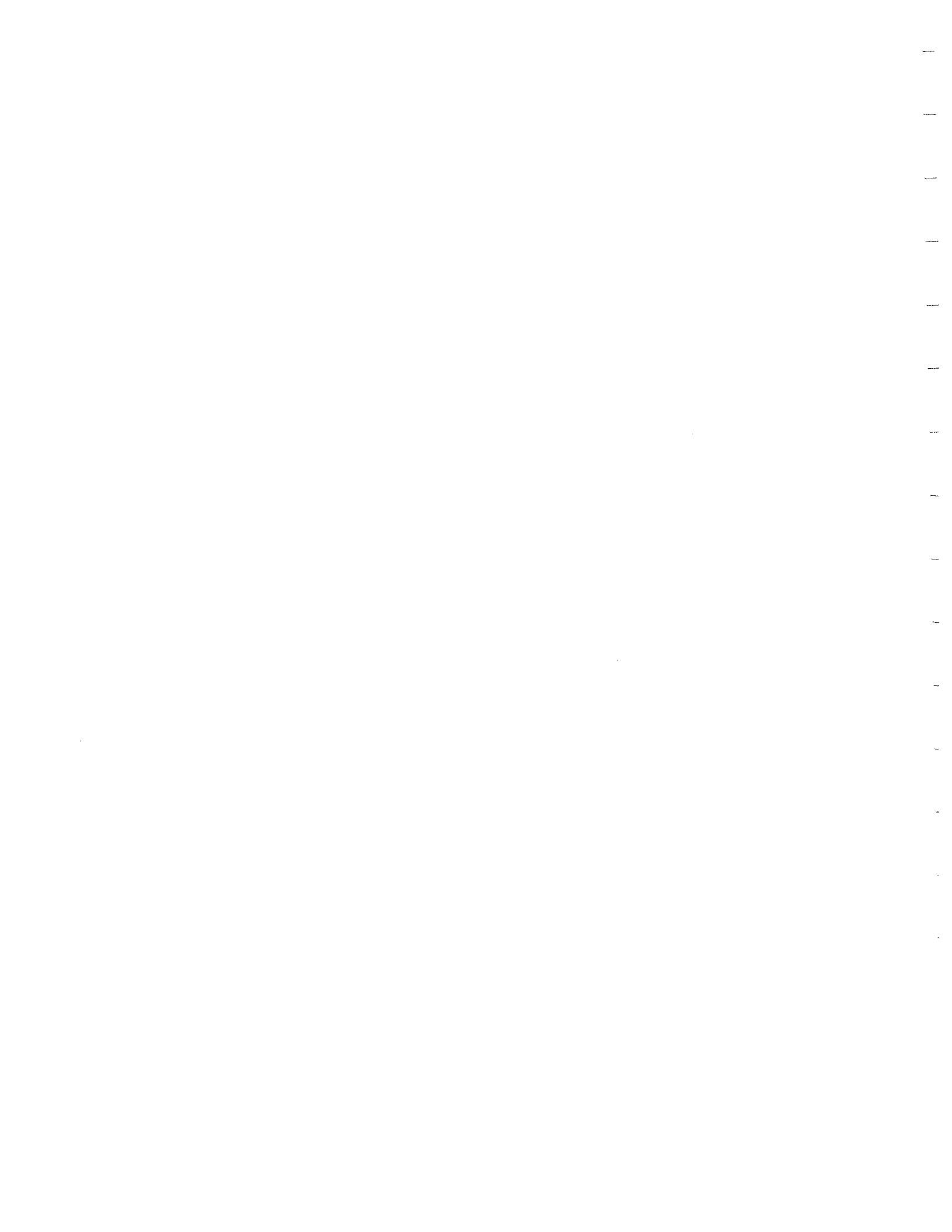
	General Fund	Economic Development MMF Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$233,580			\$233,580
Sales	127,020		50,808	177,828
Franchise	246,463			246,463
Other				0
Licenses and Permits	6,600			6,600
Intergovernmental				0
Charges for Services			13,874	13,874
Fines and Forfeitures	108,485			108,485
Interest	169	149	350	668
Miscellaneous	20,671	9,500	6,160	36,331
Total Revenues	<u>742,988</u>	<u>9,649</u>	<u>71,192</u>	<u>823,829</u>
EXPENDITURES				
Current:				
General Administration	171,416	46,939	15,461	233,816
Public Safety	191,679		6,971	198,650
Public Transportation	102,791			102,791
Culture and Recreation	27,764			27,764
Capital Projects		101,544	0	101,544
Debt Service				
Principal Retirement		41,996		41,996
Interest and Fiscal Charges		8,263		8,263
Total Expenditures	<u>493,650</u>	<u>198,742</u>	<u>22,432</u>	<u>714,824</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	249,338	(189,093)	48,760	109,005
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		167,808	16,000	183,808
Operating Transfers Out	(183,808)		0	(183,808)
Total Other Financing Sources (Uses)	<u>(183,808)</u>	<u>167,808</u>	<u>16,000</u>	<u>0</u>
Net Changes in Fund Balances	<u>65,530</u>	<u>(21,285)</u>	<u>64,760</u>	<u>109,005</u>
Fund Balances - Beginning	301,614	37,545	244,576	583,735
Fund Balances - Ending	<u>\$367,144</u>	<u>\$16,260</u>	<u>\$309,336</u>	<u>\$692,740</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, 2018

Net Changes in Fund Balances - Total Governmental Funds	\$109,005
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.	141,620
Amortization of Bond Refunding Loss.	(1,969)
GASB 68	
Contributions. This is the change in these amounts this year.	(3,149)
Difference in expected and actual experience. This is the change in these amounts this year.	1,729
Difference in projected and actual earnings. This is the change in these amounts this year.	(8,919)
GASB 75	
Difference in assumption changes. This is the change in these amounts this year.	649
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(495)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	0
(Increase) decrease in accrued interest from beginning of period to end of period.	126
(Increase) decrease in compensated absences from beginning of period to end of period.	(5,268)
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.	496
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	9,340
(Increase) decrease in OPEB Liability from beginning of period to end of period.	(1,440)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	41,996
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$283,721</u>

The accompanying notes are an integral part of this statement.



CITY OF POTH, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$230,000	\$230,000	\$233,580	\$3,580
Sales	95,000	95,000	127,020	32,020
Franchise	235,200	235,200	246,463	11,263
Licenses and Permits	3,000	3,000	6,600	3,600
Fines and Forfeitures	60,000	60,000	108,485	48,485
Interest	50	50	169	119
Miscellaneous	15,800	15,800	20,671	4,871
Total Revenues	<u>639,050</u>	<u>639,050</u>	<u>742,988</u>	<u>103,938</u>
EXPENDITURES				
Current:				
General Administration				
General Administration	194,831	194,831	171,416	23,415
Public Safety				
Municipal Court	24,927	24,927	21,863	3,064
Fire	12,420	12,420	12,308	112
Police Department	166,623	166,623	157,508	9,115
Public Transportation				
Streets	144,649	144,649	102,791	41,858
Culture and Recreation				
Parks	32,800	32,800	27,764	5,036
Total Expenditures	<u>576,250</u>	<u>576,250</u>	<u>493,650</u>	<u>82,600</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	62,800	62,800	249,338	186,538
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(62,800)	(62,800)	(183,808)	(121,008)
Total Other Financing Sources (Uses)	<u>(62,800)</u>	<u>(62,800)</u>	<u>(183,808)</u>	<u>(121,008)</u>
Net Changes in Fund Balances	0	0	65,530	65,530
Fund Balances - Beginning	301,614	301,614	301,614	
Fund Balances - Ending	<u>\$301,614</u>	<u>\$301,614</u>	<u>\$367,144</u>	<u>\$65,530</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, 2018

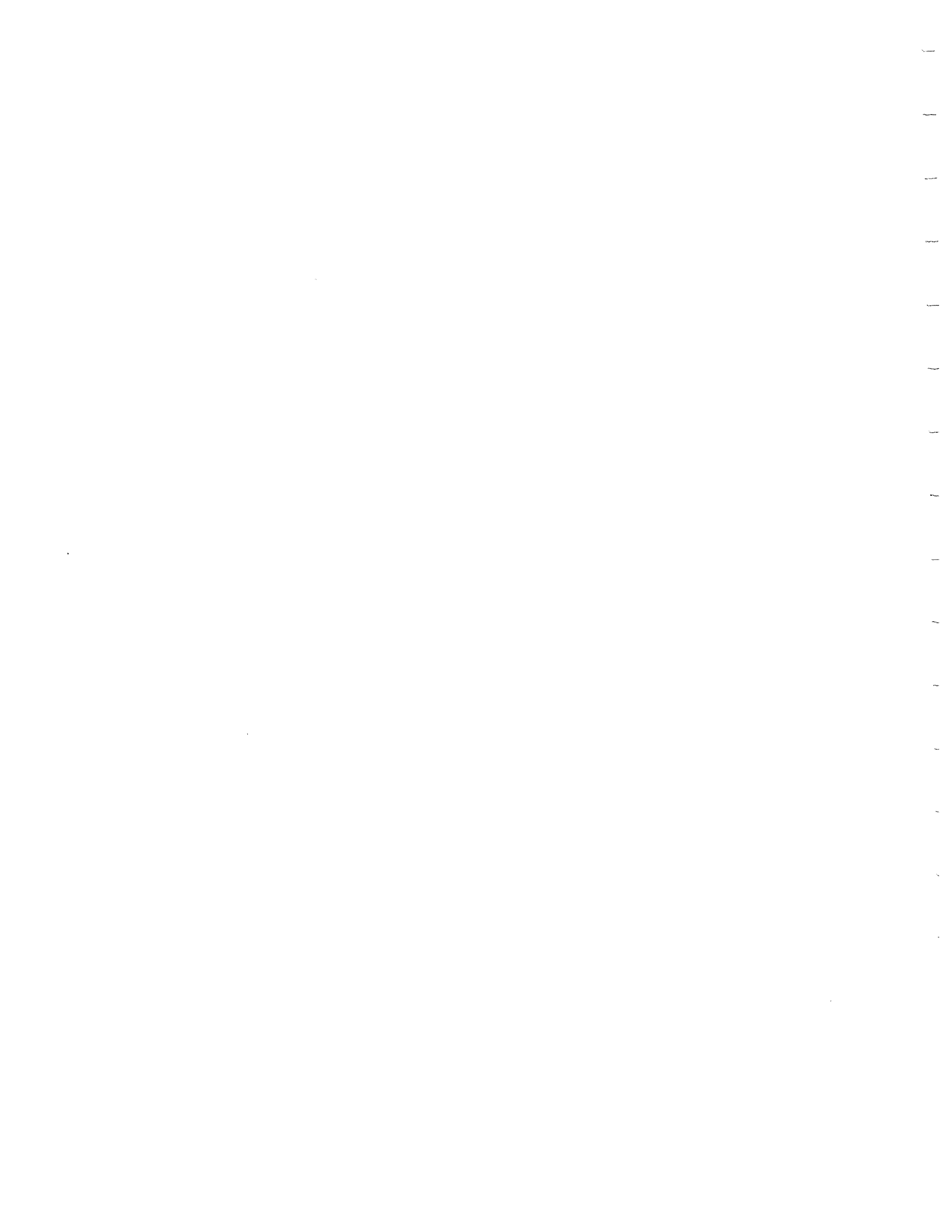
	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$239,325	\$231,261	\$239,325
Accounts Receivables (Net of Allowance for Uncollectibles)	80,403	80,403	80,403
Total Current Assets	319,728	311,664	319,728
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	535,246	361,972	535,246
Total Restricted Assets	535,246	361,972	535,246
Capital Assets			
Land	82,134	82,134	82,134
Construction in Progress	0	0	0
Infrastructure	6,129,769	6,129,769	6,129,769
Machinery and Equipment	459,185	425,728	459,185
Total Capital Assets	6,671,088	6,637,631	6,671,088
Less Accumulated Depreciation	(3,734,393)	(3,551,967)	(3,734,393)
Total Capital Assets (Net of Accumulated Depreciation)	2,936,695	3,085,664	2,936,695
Total Noncurrent Assets	3,471,941	3,447,636	3,471,941
TOTAL ASSETS	\$3,791,669	\$3,759,300	\$3,791,669
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	29,445	32,794	29,445
GASB 68			
Contributions (after 12/31/16)		20,125	0
Contributions (after 12/31/17)	25,896		25,896
Difference in expected and actual experience	3,043		3,043
GASB 75			
Difference in assumption changes	1,536		1,536
Total Deferred Outflow of Resources	59,920	52,919	59,920

(continued)

(continued)

	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	\$35,000	\$31,884	\$35,000
Accrued Wages	11,761	11,041	11,761
Accrued Interest Payable	1,940	2,192	1,940
Compensated Absences	4,412	5,282	4,412
Revenue Bonds - Current	86,004	84,004	86,004
Total Current Liabilities	<u>139,117</u>	<u>134,403</u>	<u>139,117</u>
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	0	0	0
Total Current Liabilities Payable from Restricted Assets	<u>0</u>	<u>0</u>	<u>0</u>
Noncurrent Liabilities			
Net Pension Liability	40,168	62,276	40,168
Net OPEB Liability	26,974	23,566	26,974
Revenue Bonds Payable	560,695	646,699	560,695
Total Noncurrent Liabilities	<u>627,837</u>	<u>732,541</u>	<u>627,837</u>
Total Liabilities	<u>766,954</u>	<u>866,944</u>	<u>766,954</u>
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	21,122	6	21,122
Difference in expected and actual experience		632	0
Total Deferred Inflows of Resources	<u>21,122</u>	<u>638</u>	<u>21,122</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	2,222,854	2,269,119	2,222,854
Restricted for:			
Special Projects - Expendable	535,246	361,972	535,246
Unrestricted	305,413	313,546	305,413
Total Net Position	<u>\$3,063,513</u>	<u>\$2,944,637</u>	<u>\$3,063,513</u>

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, 2018

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services -Water	\$490,446	\$443,692	\$490,446
Charges for Services -Sewer	284,998	271,993	284,998
Charges for Services - Garbage	253,105	248,535	253,105
Charges for Services - Miscellaneous	31,653	29,225	31,653
Total Operating Revenues	1,060,202	993,445	1,060,202
OPERATING EXPENSES:			
Personal Services	343,957	341,451	343,957
Supplies	2,213	2,570	2,213
Other Services and Charges	393,228	487,093	393,228
Depreciation	183,101	111,489	183,101
Total Operating Expenses	922,499	942,603	922,499
Operating Income (Loss)	137,703	50,842	137,703
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	799	736	799
Contributions			0
Interest and Fiscal Charges	(19,626)	(21,747)	(19,626)
Total Non-Operating Revenues (Expenses)	(18,827)	(21,011)	(18,827)
Income Before Transfers	118,876	29,831	118,876
Transfers Out (Net)	0	(50,000)	0
Change in Net Position	118,876	(20,169)	118,876
Total Net Position - Beginning - Restated	2,944,637	2,964,806	2,944,637
Total Net Position - Ending	\$3,063,513	\$2,944,637	\$3,063,513

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, 2018

	Business-Type Activities Enterprise Funds		
	Utility	Utility	Totals
	Current Year	Prior Year	Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$1,060,202	\$985,915	\$1,060,202
Payments to Suppliers	(389,228)	(486,905)	(392,577)
Payments to Employees	(352,673)	(324,196)	(352,673)
	<u>318,301</u>	<u>174,814</u>	<u>314,952</u>
Net Cash Provided (Used) By Operating Activities			
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In (Out)-Net	0	(50,000)	0
Contributions	0	0	0
	<u>0</u>	<u>(50,000)</u>	<u>0</u>
Net Cash Provided (Used) by Non-Capital and Related Financing Activities			
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Warrants and Capital Leases	(84,004)	(82,004)	(84,004)
Interest and Fiscal Charges	(19,626)	(21,747)	(19,626)
Purchases of Capital Assets (Net)	(34,132)	(206,569)	(34,132)
	<u>(137,762)</u>	<u>(310,320)</u>	<u>(137,762)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities			
Interest Received	799	736	799
	<u>799</u>	<u>736</u>	<u>799</u>
Net Cash Provided (Used) by Investment Activities			
Net Increase (Decrease) in Cash Equivalents	181,338	(184,770)	181,338
Cash and Cash Equivalents at Beginning of Year	593,233	778,003	593,233
Cash and Cash Equivalents at End of Year	<u>\$774,571</u>	<u>\$593,233</u>	<u>\$774,571</u>
Unrestricted Assets:			
Cash and Cash Equivalents	\$239,325	\$231,261	\$239,325
Restricted Assets:			
Cash and Cash Equivalents	535,246	361,972	535,246
Total	<u>\$774,571</u>	<u>\$593,233</u>	<u>\$774,571</u>

(continued)

(continued)

	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)	\$137,703	\$50,842	\$137,703
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	183,101	111,489	183,101
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	0	(2,500)	0
Increase (Decrease) in Accounts Payable	3,116	(469)	3,116
Increase (Decrease) in Accrued Wages	720	(375)	720
Increase (Decrease) in Accrued Interest Payable	(252)	(123)	(252)
Increase (Decrease) in Compensated Absences	(870)	17	(870)
Increase (Decrease) in Consumer Meter Deposits	0	(5,030)	0
Decrease (Increase) Loss on Bond Refunding	3,349	3,350	
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(5,771)	(5,042)	(5,771)
Decrease (Increase) Difference in expected and actual experience	(3,675)	595	(3,675)
Decrease (Increase) Difference in assumption changes		6,595	0
Decrease (Increase) Difference in projected and actual earnings	21,116	13,365	21,116
GASB 75			
Decrease (Increase) Difference in assumption changes	(1,536)	0	(1,536)
Increase (Decrease) in Net Pension Liability	(22,108)	2,100	(22,108)
Increase (Decrease) in OPEB Liability	3,408		3,408
Net Cash Provided (Used) by Operating Activities	<u>\$318,301</u>	<u>\$174,814</u>	<u>\$314,952</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, 2018

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 2016 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, 2018, the trade accounts receivable allowance in excess of 60 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2018, the trade accounts receivable allowance in excess of 90 days is equal to 100 percent of outstanding trade accounts receivable at September 30, 2018. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2018, and 10 percent of delinquent outstanding property taxes at September 30, 2018.

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, 2018.

There were no prepaid items at September 30, 2018.

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, 2018 were as follows:

Type	Governmental Activities	Business-Type Activities	Total
Administration	\$23,864	\$535,246	\$559,110
Economic Development	253,153	0	253,153
Public Safety	32,925	0	32,925
Street Maintenance	74,964	0	74,964
	<u>\$384,906</u>	<u>\$535,246</u>	<u>\$920,152</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 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, 2018, 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, 2018, fund balances are composed of the following:

Fund Balances:	
Restricted	
Economic Development	\$253,153
Public Safety	36,655
Committed	
Administration	35,788
Street Maintenance	74,964
Unassigned	292,180
Total Fund Balance	<u>\$692,740</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 \$397,122 difference are as follows:

Bonds Payable	\$323,301
Accrued Interest Payable	970
Net Pension Liability	52,042
Net OPEB Liability	11,396
Compensated Absences	9,413
	<u>\$397,122</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 \$2,516,918 difference are as follows:

Capital Assets Not Being Depreciated	\$198,016
Capital Assets Being Depreciated	3,113,992
Accumulated Depreciation	(795,090)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$2,516,918</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 \$29,406 difference are as follows:

Property Taxes Receivable	\$32,063
Allowance for Doubtful Accounts	<u>(2,657)</u>
Net	<u>\$29,406</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 \$2,116 difference are as follows:

Fines and Fees Receivable	\$8,174
Allowance for Doubtful Accounts	<u>(6,058)</u>
Net	<u>\$2,116</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 \$141,620 difference are as follows:

Capital Outlay - Additions	\$211,953
Capital Outlay - Dispositions - Net	0
Depreciation Expense	(70,333)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$141,620</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, 2018.

B. Excess of expenditures over appropriations

For the year ended September 30, 2018, excess of expenditures over appropriations did not occur in the general fund; actual expenditures of \$493,650 were less than the budgeted expenditures of \$576,250 by \$82,600. 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, 2018.

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 checking accounts and \$250,000 of interest-bearing accounts. Deposit balances over the respective \$250,000 are insured by the collateral. As of year end, the carrying amount of the City's total bank balances totaled \$1,499,920 while the value of securities pledged at September 30, 2018 is \$1,959,523. The book amount of cash at September 30, 2018 is \$1,491,793.

The securities are held by the pledging financial institution's trust department.

The City had no investments at September 30, 2018.

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	\$32,063		\$32,063
Accounts		94,649	94,649
Other			0
Fines	<u>8,174</u>		<u>8,174</u>
Gross Receivables	40,237	94,649	134,886
Less: Allowance for Uncollectibles	<u>8,715</u>	<u>14,246</u>	<u>22,961</u>
Net Total Receivables	<u>\$31,522</u>	<u>\$80,403</u>	<u>\$111,925</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>\$ 29,406</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 29,406</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$181,033	\$0	\$0	\$181,033
CIP	\$11,983	5,000		\$16,983
Total capital assets not being depreciated:	193,016	5,000	0	198,016

Capital assets being depreciated:				
Building and Improvements	269,870		0	269,870
Machinery, Equipment and Vehicles	208,695	44,611		253,306
Infrastructure	2,428,474	162,342	0	2,590,816
Total capital assets being depreciated:	2,907,039	206,953	0	3,113,992

Less: Accumulated Depreciation for:				
Building and Improvements	133,300	10,115	0	143,415
Machinery, Equipment and Vehicles	206,411	9,939		216,350
Infrastructure	385,046	50,279	0	435,325
Total Accumulated Depreciation	724,757	70,333	0	795,090
Total Capital Assets Depreciated, Net	2,182,282	136,620	0	2,318,902
Governmental Activities capital assets, Net	\$2,375,298	\$141,620	\$0	\$2,516,918

Business-Type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$82,134			\$82,134
Construction In Progress	0			0
Total capital assets not being depreciated:	82,134	0	0	82,134

Capital assets being depreciated:				
Building and Improvements	6,129,770			6,129,770
Machinery, Equipment and Vehicles	425,728	34,132	675	459,185
Total capital assets being depreciated:	6,555,498	34,132	675	6,588,955

Less: Accumulated Depreciation for:				
Building and Improvements	3,238,436	156,582		3,395,018
Machinery, Equipment and Vehicles	313,532	26,519	675	339,376
Total Accumulated Depreciation	3,551,968	183,101	675	3,734,394
Total Capital Assets Depreciated, Net	3,003,530	(148,969)	0	2,854,561
Business-Type Activities Capital Assets, Net	\$3,085,664	(\$148,969)	\$0	\$2,936,695

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

Governmental Activities	
General Administration	\$1,017
Public Safety	9,182
Public Transportation	50,180
Culture and Recreation	<u>9,954</u>
Total Depreciation Expense - Governmental Activities	<u>\$70,333</u>
Business-Type Activities	
Utility	<u>\$183,101</u>
Total Depreciation Expense - Business-Type Activities	<u>\$183,101</u>

Construction commitments:

The City is performing public improvements for street paving improvements.

D. Inter-fund receivables, payables, and transfers

The City had no due to/from other funds at September 30, 2018.

The intra-fund fund transfers for the year ended September 30, 2018 are non-recurring and are as follows:

<u>TRANSFER</u>				
<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>	<u>REASON</u>	
GENERAL FUND	ECONOMIC DEVELOPMENT MMF	\$167,808	DEBT SERVICE	
GENERAL FUND	EMERGENCY FACILITY FUND	<u>16,000</u>	DEBT SERVICE	
		<u>\$183,808</u>		

E. Leases

The City had no Operating Leases.

Rent expenditures were \$0 for the year ended September 30, 2018. Rental income was \$13,780 for the year ended September 30, 2018. Sublease rental income was \$0 for the year ended September 30, 2018.

F. Long-term debt

Bonds

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	\$323,300	Ad Valorem Taxes and Utility Revenues
Business-type activities	2.40	\$646,700	Ad Valorem Taxes and Utility Revenues

Year Ending September 30,	Governmental Activities		Business-Type Activities		TOTAL		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
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	47,333	2,920	94,667	5,840	142,000	8,760	150,760
2024 to 2025	97,966	2,368	196,034	4,736	294,000	7,104	301,104
TOTALS	\$323,300	\$27,904	\$646,700	\$55,808	\$970,000	\$83,712	\$1,053,712

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:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	<u>Due Within One Year</u>	<u>Due after One Year</u>
<u>Governmental Activities:</u>						
G.O. Bonds	\$365,296	\$0	\$41,996	\$323,300	\$42,996	\$280,304
Total Bonds Payable	365,296	0	41,996	323,300	42,996	280,304
Net Pension Liability	61,383		9,340	52,043		52,043
Net OPEB Liability	9,956	1,440		11,396		11,396
Compensated Absences	4,145	9,413	4,145	9,413	9,413	0
Total Governmental Activities	440,780	10,853	55,481	396,152	52,409	343,743
<u>Business-Type Activities:</u>						
Revenue Bonds	730,704	0	84,004	646,700	86,004	560,696
Total Bonds Payable	730,704	0	84,004	646,700	86,004	560,696
Net Pension Liability	62,275		22,108	40,167		40,167
Net OPEB Liability	23,566	3,408		26,974		26,974
Compensated Absences	5,282	4,412	5,282	4,412	4,412	0
Total Business-Type Activities	821,827	7,820	111,394	718,253	90,416	627,837
Grand Total	\$1,262,607	\$18,673	\$166,875	\$1,114,405	\$142,825	\$971,580

The general fund and the business type funds are used to service the compensated absences. The estimated amount due in the 2018-19 year is \$13,825. The government-wide statement of activities includes \$142,825 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>09/30/18</u>	Year ended <u>09/30/17</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
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

Chrystal Eckel, the Mayor, partnered with Lyssey & Eckel and the City spent \$117.50 for the 2017-2018 fiscal year.

Rose Huizar, the City Secretary's sister, performed cleaning services for the City at a cost of \$2,600.00 for the 2017-2018 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 November 19, 2018, the City approved the 2018 Texas Community Development Block Grant for Schneider Street; in the amount of \$275,000.00 with City matching \$27,500.00.

On March 29, 2019, approval was given from the Texas Parks & Wildlife for a Recreational Trail in the amount of \$250,000.00 with the City matching \$50,000.00.

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. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year. The City had a prior period adjustment where by both governmental activities' Net Assets and the business-type activities' net assets restated downward by \$9,956 and \$23,566, respectively due to the City implementing GASB 75. The restatements had the corresponding effect on the beginning net assets, as follows:

	Net Assets, as Previously Reported	GASB 75 RESTATEMENT	Net Assets As Restated
Governmental Activities:			
Net Assets	\$2,588,024	\$9,956	\$2,597,980
Total Governmental Activities	\$2,588,024	\$9,956	\$2,597,980

	Net Assets, as Previously Reported	GASB 75 RESTATEMENT	Net Assets As Restated
Business-Type Activities:			
Net Assets	\$2,968,203	\$23,566	\$2,991,769
Total Business-Type Activities	\$2,968,203	\$23,566	\$2,991,769

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, 2017 (the fiscal year of FELPS), FELPS' net income was \$4,367,942, of which 18%, or \$786,230 is the City's portion. During the calendar year ended December 31, 2018, the City received distributions of prior year revenue of \$209,608.

During the year ended September 30, 2018 the City reported distributions of \$209,134 based on the calendar years ended December 31, 2016 and 2017 electric sales.

The following represents an excerpt of the audited balance sheet of FELPS as of December 31, 2017.

Total Assets	<u>\$83,154,360</u>
Equity - City of Poth	\$6,946,882
Equity - Other Participants	<u>31,646,907</u>
Total Equity	38,593,789
Liabilities	<u>44,560,571</u>
Total Equity and Liabilities	<u>\$83,154,360</u>
Balance at January 1, 2017	\$6,368,366
Net Income	786,230
Effect of defined benefit plan funding obligations	0
Cash Distributions	<u>(207,713)</u>
Balance at December 31, 2017	<u>\$6,946,882</u>

G. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

as of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,

Membership

Number of		
- Inactive employees or beneficiaries currently receiving benefits	4	4
- Inactive employees entitled to but not yet receiving benefits	9	12
- Active employees	11	10
- Total	<u>24</u>	<u>26</u>

Covered Payroll	\$374,270	\$393,976
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Net Pension Liability

Total Pension Liability	\$652,429	\$697,257
Plan Fiduciary Net Position	<u>528,770</u>	<u>605,046</u>
Net Pension Liability/(Asset)	\$123,659	\$92,211

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.05%	86.78%
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Net Pension Liability/(Asset) as a Percentage of Covered Payroll	33.04%	23.41%
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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	3.78%	3.31%

Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	N/A	N/A
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SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$36,285
2. Interest on the Total Pension Liability	43,881
3. Changes in Current Period Benefits Including Substantively Automatic Status	0
4. Employee Contributions (Reduction of Expense)	(27,578)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(35,692)
6. Administrative Expense	380
7. Other Changes in Fiduciary Net Position	19
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	1,308
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	(7,511)
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	3,300
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	7,818
12. Total Pension Expense (Income)	<u>\$22,210</u>

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow or Outflow of Resources	2017 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.3100	\$5,637	\$1,308	\$4,329
Change in assumptions [actuarial (gains) or losses]	4.3100	\$0	\$0	\$0
			<u>\$1,308</u>	<u>\$4,329</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	(\$37,556)	(\$7,511)	(\$30,045)
			<u>(\$7,511)</u>	<u>(\$30,045)</u>
Total:				<u>(\$25,716)</u>

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

	Net deferred outflows (inflows) of resources
2018	\$4,916
2019	3,594
2020	(6,364)
2021	(7,107)
2022	0
Thereafter	0
Total	<u>(\$4,961)</u>

Note to City:

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 T MRS-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 68 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%
\$175,271	\$92,211	\$22,658

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of T MRS 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 postretirement 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.

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. 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.

<u>Years of Service</u>	<u>Rate (%)</u>
1	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

1. 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	0.0182
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 T MRS) 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 ½-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			Females		
	Entry Age Groups			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	0.8	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,

- 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 T MRS 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.

- 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.

IV. Other Assumptions

1. 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 T MRS 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 "(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 years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year							
			2017	2018	2019	2020	2021	2022	Thereafter	
Due to Liabilities:										
difference in experiences (inflows)/outflows										
	2017	4.3100	\$5,637	\$1,308	\$1,308	\$1,308	\$1,308	\$405	\$0	\$0
	2016	3.5200	(1,075)	(306)	(306)	(306)	(157)	0	0	0
	2015	3.0000	(56)	(18)	(18)	(20)	0	0	0	0
	2014	2.5206	838	333	333	172	0	0	0	0
	Total			\$1,317	\$1,317	\$1,154	\$1,151	\$405	\$0	\$0

change in assumptions (inflows)/outflows

	2015	3.0000	\$9,871	\$3,291	\$3,291	\$3,289	\$0	\$0	\$0	\$0
	Total			\$3,291	\$3,291	\$3,289	\$0	\$0	\$0	\$0

Due to Assets:

excess investment returns (inflows)/outflows

	2017	5.0000	(\$37,556)	(\$7,511)	(\$7,511)	(\$7,511)	(\$7,511)	(\$7,512)	\$0	\$0
	2016	4.0000	(10)	(2)	(2)	(2)	(4)	0	0	0
	2015	3.0000	19,994	6,665	6,665	6,664	0	0	0	0
	2014	2.0000	2,311	1,155	1,156	0	0	0	0	0
	Total			\$307	\$308	(\$849)	(\$7,515)	(\$7,512)	\$0	\$0

H. GASB 75 Information

Actuarial and Financial Schedules

As of Measurement Date of December 31, 2017

Actuarial Valuation and Measurement Date,
December 31,

2017

Membership

Number of

-Inactive employees currently receiving benefits	5
-Inactive employees entitled to but not yet receiving benefits	2
-Active employees	10
-Total	17

Covered Payroll

\$393,976

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$33,522
Changes for the year	
Service cost	1,221
Interest on Total OPEB Liability	1,283
Changes of benefit term	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	2,699
Benefit payments	(355)
Net changes	4,848
Total OPEB Liability - end of year	\$38,370

Total OPEB Liability as a Percentage of Covered Payroll

9.74%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

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

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$45,224	\$38,370	\$32,941

OPEB Expense:

Service cost	\$1,221
Interest on total OPEB Liability	1,283
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	0
Changes in assumptions or other inputs	514
Total OPEB expense	\$3,018

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions and other inputs	0	2,185
Contributions made subsequent to measurement date	N/A	[CITY TO PROVIDE]
Total (excluding contributions made subsequent to measurement date)	\$ 0	\$ 2,185

Note: The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources. Please see page 7 for retiree rates and a description of the calculation.

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2017 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.2500	\$0	\$0	\$0
Change in assumptions [actuarial (gains) or losses]	5.2500	\$2,699	\$514	\$2,185
Contributions made subsequent to measurement date		[Proved by City]	[Proved by City]	[Proved by City]
Total (excluding city provided contributions made subsequent to measurement date):				<u><u>\$2,185</u></u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

	Net deferred outflows (inflows) of resources
2018	\$514
2019	514
2020	514
2021	514
2022	129
Thereafter	0
	<u>\$2,185</u>

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2017	2018	2019	2020	2021	2022	Thereafter
difference in experience (inflows)/outflows									
2017	5.2500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0
change in assumptions (inflows)/outflows									
2017	5.2500	\$2,699	\$514	\$514	\$514	\$514	\$514	\$129	\$0
		Total	\$514	\$514	\$514	\$514	\$514	\$129	\$0

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.34%	0.09%
2018	0.27%	0.09%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

$$\text{Total covered payroll} * \text{Retiree Portion of SDB Contribution (Rate)}$$

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

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.

I. Economic Assumptions

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
- C. 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	Rate (%)
1	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%

II. Demographic Assumptions

A. Termination Rates

1. 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 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 OPEB liability and the OPEB 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 OPEB liability and the OPEB 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 OPEB liability and the 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. 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

G. 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			Females		
	Entry Age Groups			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 – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- 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.
- C. 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 Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

IV. *Other Assumptions*

- 1. 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(G).
- 2. There will be no recoveries once disabled.
- 3. Decrement timing: Decrements of all types are assumed to occur mid-year.

4. 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.
5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
6. 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.
7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. 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 and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. 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.

REQUIRED SUPPLEMENTARY INFORMATION



A. Total pension liability

	2017	2016	2015
1. Service Cost	\$36,285	\$35,369	\$34,486
2. Interest (on the Total Pension Liability)	43,881	41,003	38,604
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	5,637	(1,381)	(92)
5. Changes of assumptions	0	0	16,453
6. Benefit payments, including refunds of employee contributions	(40,975)	24,649	(43,220)
7. Net change in total pension liability	44,828	50,342	46,231
8. Total pension liability -- beginning	652,429	602,087	555,856
9. Total pension liability - ending	<u>697,257</u>	<u>652,429</u>	<u>602,087</u>

B. Plan fiduciary net position

1. Contributions - employer	16,823	13,063	11,915
2. Contributions - employee	27,578	26,199	26,733
3. Net investment income	73,248	32,547	718
4. Benefit payments, including refunds of employee contributions	(40,975)	(24,649)	(43,220)
5. Administrative Expense	(380)	(368)	(437)
6. Other	(19)	(20)	(22)
7. Net change in plan fiduciary net position	76,276	46,772	(4,313)
8. Plan fiduciary net position - beginning	528,770	481,998	486,311
9. Plan fiduciary net position - ending*	<u>605,046</u>	<u>528,770</u>	<u>481,998</u>

C. Net pension liability (A.9 - B.9)

<u>\$92,211</u>	<u>\$123,659</u>	<u>\$120,089</u>
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D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)

86.78%	81.05%	80.05%
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E. Covered-employee payroll (B.9 / A.9)

\$393,976	\$374,270	\$381,905
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F. Net pension liability as a percentage
of covered employee payroll (C/E)

23.41%	33.04%	31.44%
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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	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
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	20 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	0.025
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	0.0675
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 generated basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

OPEB Retirement System Information:

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	<u>2017</u>
1. Service Cost	\$1,221
2. Interest on Total OPEB Liability	1,283
3. Changes of benefit terms	0
4. Difference between expected and actual experience	0
5. Changes in assumptions or other inputs	2,699
6. Benefit payments	<u>(355)</u>
7. Net changes	4,848
Total OPEB Liability - beginning of year	<u>33,522</u>
Total OPEB Liability - end of year	<u><u>\$38,370</u></u>

E. Covered-employee payroll (B.9 / A.9) \$393,976

F. Total OPEB Liability as a Percentage of Covered Payroll 9.74%



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF POTH, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

		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	\$603	\$140	\$3,590				\$11,321	\$15,654	
Restricted Assets:									
Cash and Cash Equivalents			196,879	32,925	40,014	23,864		293,682	
Total Assets	\$603	\$140	\$3,590	\$196,879	\$32,925	\$40,014	\$23,864	\$11,321	\$309,336
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable								\$0	
Total Liabilities	0	0	0	0	0	0	0	0	
Fund Balances									
Restricted									
Economic Development			196,879		40,014			236,893	
Public Safety	140	3,590		32,925				36,655	
Committed									
Administration	603					23,864	11,321	35,788	
Total Fund Balances	603	140	3,590	196,879	32,925	40,014	23,864	11,321	309,336
TOTAL LIABILITIES AND FUND BALANCES	\$603	\$140	\$3,590	\$196,879	\$32,925	\$40,014	\$23,864	\$11,321	\$309,336

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, 2018

	SPECIAL REVENUE								Total
	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	
REVENUES									
Taxes									
Sales				\$50,808					\$50,808
Intergovernmental									\$0
Charges for Services			5,238					8,636	13,874
Interest				231		119			350
Miscellaneous	331							5,829	6,160
Total Revenues	331	0	5,238	51,039	0	119	0	14,465	71,192
EXPENDITURES									
Current:									
General Administration									
General Administration	59			3,737				11,665	15,461
Public Safety									
Police Department									0
Municipal court			6,971						6,971
Capital Projects									0
Total Expenditures	59	0	6,971	3,737	0	0	0	11,665	22,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	272	0	(1,733)	47,302	0	119	0	2,800	48,760
OTHER FINANCING SOURCES (USES):									
Operating Transfers In					16,000				16,000
Operating Transfers Out									0
Total Other Financing Sources (Uses)	0	0	0	0	16,000	0	0	0	16,000
Net Changes in Fund Balances	272	0	(1,733)	47,302	16,000	119	0	2,800	64,760
Fund Balances - Beginning	331	140	5,323	149,577	16,925	39,895	23,864	8,521	244,576
Fund Balances - Ending	\$603	\$140	\$3,590	\$196,879	\$32,925	\$40,014	\$23,864	\$11,321	\$309,336

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

