

CITY OF FLORESVILLE, TEXAS  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2015

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ANNUAL FINANCIAL REPORT  
of the  
CITY OF FLORESVILLE, TEXAS  
YEAR ENDED SEPTEMBER 30, 2015

CITY COUNCIL:

MAYOR	SHERRY CASTILLO
MAYOR PRO TEM	DANIEL M. TEJADA
COUNCIL MEMBER	JOHNNY RAY NIETO
COUNCIL MEMBER	JUAN ORTIZ
COUNCIL MEMBER	GERARD JIMENEZ
COUNCIL MEMBER	GLORIA MORALES CANTU

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Floresville, Texas  
1120 D Street  
Floresville, Texas 78114

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented governmental activities component units, each major fund, and the aggregate remaining fund information of the City of Floresville, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Floresville, Texas' 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 did not audit the financial statements of the City of Floresville Electric Light and Power System (FELPS), which represents 100% of the assets, net position, and revenues of the business-type activities of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for FELPS, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Floresville, Texas as of September 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 1R to the financial statements, in 2015, the City of Floresville, Texas adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement #27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, the budgetary comparison information, TMRS pension information, and schedule of funding progress for retiree health plan, on pages 49-56 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 and other auditors 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 Floresville, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and the other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.



This supplementary information is the responsibility of management and was 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 by us and the other auditors.

In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016, on our consideration of the City of Floresville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Floresville, Texas' internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

June 23, 2016

CITY OF FLORESVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015

Our discussion and analysis of the City of Floresville, Texas' financial performance provides an overview of the City's financial activities for the year ended September 30, 2015. We recommend and encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report and the City's financial statements.

FINANCIAL HIGHLIGHTS

In March 2013 the City of Floresville adapted an Insolvency Turnaround Plan. This Plan is the beginning of a series of strategies to assist the City with the four essential components:

- Identification of critical priorities to affect change.
- Listing of specific imperatives to undertake.
- Metrics, targets and accountabilities to track the change.
- Monitoring on all required actions and metrics to ensure progress (execution).

Governmental Activities:

- The \$5,993,914 decrease in net position was primarily due to two factors. Debt refunding of the General Obligation Bonds, Series 2010 caused the Interlocal Agreement between the City and 4A corporation to be restructured, resulting in a loss of \$6,066,741 to the City. Also, during the year, the City had a restatement that decreased the net position by \$862,403. The restatement was a result of the City implementing the provisions of Governmental Accounting Standards Board (GASB) Statement #68.
- Government Accounting Standards Board (GASB) Statement #68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27," went into effect for the 2015 fiscal year. The major effects of the implementation are as follows:
  - A decrease of net position of \$862,403 as a restatement, reflecting the effect of the new standard to the City's September 30, 2014 net position;
  - An increase to noncurrent liabilities of \$847,910 to record the net pension liability;
  - An increase to deferred outflows and inflows of resources of \$171,595 and \$110,149, respectively;
  - A decrease to pension expense of \$75,939.
- Included in total net position are the following components:
  - (\$72,388) net investment in capital assets.
  - \$1,910,945 that is restricted for use.
  - (\$539,763) that is unrestricted.

### Business-Type Activities:

- The Proprietary net position decreased by \$241,437 for a balance of \$4,278,922.
- Included in total net position are the following components:
  - \$3,363,073 net investment in capital assets.
  - \$915,849 that is unrestricted.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The management discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of 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's finances, in a manner similar to a private-sector business.

The statement of net position presents the information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer, water distribution and sewer collections lines, etc.) to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities - The City's basic services are reported herein, including judicial, police, fire, public works, mayor and council, parks and recreation departments, and general administration. Property taxes, sales taxes, franchise fees, and grants finance most of these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and refuse system as well as cemetery lot sales are reported here.
- The City also reports on discretely presented component units which include the 4A Corporation, Floresville EDC (4b), and Floresville Electric Light and Power System (F.E.L.P.S.).

The government-wide financial statements include the Statement of Net Position and the Statement of Activities (pages 12 through 15).

### 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. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting methods.

The basic fund financial statements can be found on pages 12 through 25.

- Governmental funds - The City reports its basic services in governmental funds. These funds use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City - these are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government wide statements but provide more detail and additional information such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.
- Fiduciary funds - The City is a trustee for a volunteer firemen's pension funds and is an agent for F.E.L.P.S. collections. All of the City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 24 and 25. We exclude these resources from the City's other financial statements because the City cannot use them to support its operations. The City is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### 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 through 46.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's combined governmental and business-type activities.

Net position of the City's combined activities decreased by \$4,853,551 from \$10,431,267 to \$5,577,716. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - was a deficit of (\$579,763) at September 30, 2015.

**Table 1**  
City of Floresville, Texas  
Statement of Net Position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
<u>ASSETS</u>						
Current Assets	\$2,940,132	\$2,259,500	\$1,477,702	\$1,611,341	\$ 4,417,834	\$ 3,870,841
Noncurrent Assets	1,153,443	7,330,615	-	-	1,153,443	7,330,615
Capital Assets	<u>7,696,137</u>	<u>7,414,261</u>	<u>3,363,073</u>	<u>3,049,690</u>	<u>11,059,210</u>	<u>10,463,951</u>
Total Assets	<u>11,789,712</u>	<u>17,004,376</u>	<u>4,840,775</u>	<u>4,661,031</u>	<u>16,630,487</u>	<u>21,665,407</u>
<u>Deferred Outflows of Resources</u>	<u>171,595</u>	<u>120,773</u>	<u>63,441</u>	<u>44,652</u>	<u>235,036</u>	<u>165,425</u>
<u>LIABILITIES</u>						
Current Liabilities	825,412	937,344	148,174	59,876	973,586	997,220
Long-Term Liabilities	<u>9,726,952</u>	<u>9,757,500</u>	<u>436,396</u>	<u>444,291</u>	<u>10,163,348</u>	<u>10,201,791</u>
Total Liabilities	<u>10,552,364</u>	<u>10,694,844</u>	<u>584,570</u>	<u>504,167</u>	<u>11,136,934</u>	<u>11,199,011</u>
<u>Deferred Inflows of Resources</u>	<u>110,149</u>	<u>146,420</u>	<u>40,724</u>	<u>54,134</u>	<u>150,873</u>	<u>200,554</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	(72,388)	5,395,877	3,363,073	3,049,690	3,290,685	8,445,567
Restricted	1,910,945	1,755,225	-	-	1,910,945	1,755,225
Unrestricted	<u>(539,763)</u>	<u>(867,217)</u>	<u>915,849</u>	<u>1,097,692</u>	<u>376,086</u>	<u>230,475</u>
TOTAL NET POSITION	<u>\$1,298,794</u>	<u>\$6,283,885</u>	<u>\$4,278,922</u>	<u>\$4,147,382</u>	<u>\$ 5,577,716</u>	<u>\$10,431,267</u>

**Table 2**  
**City of Floresville, Texas**  
**Changes in Net Position**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 588,144	\$ 641,629	\$ 3,453,967	\$ 3,290,985	\$ 4,042,111	\$ 3,932,614
Operating Grants and Contributions	187,144	-	-	-	187,144	-
Capital Contribution	565,760	-	-	-	565,760	-
General Revenues						
Property Tax	948,762	891,727	-	-	948,762	891,727
Sales Tax	2,242,884	2,360,021	-	-	2,242,884	2,360,021
Hotel/Motel Tax	283,227	323,391	-	-	283,227	323,391
Franchise Tax	509,366	332,504	-	-	509,366	332,504
Capital Recovery Fees	-	-	-	-	-	-
Unrestricted Investment Earnings	26	18	10	8	36	26
Other Income	17,322	201,872	-	-	17,322	201,872
Total Revenues	<u>5,342,635</u>	<u>4,751,162</u>	<u>3,453,977</u>	<u>3,290,993</u>	<u>8,796,612</u>	<u>8,042,155</u>
<b>EXPENSES</b>						
General Government	1,588,834	1,018,370	-	-	1,588,834	1,018,370
Judicial	184,939	95,062	-	-	184,939	95,062
Police	1,330,695	1,560,550	-	-	1,330,695	1,560,550
Fire Protection	72,597	24,487	-	-	72,597	24,487
Highways and Streets	467,342	423,090	-	-	467,342	423,090
Mayor and Council	371,448	321,753	-	-	371,448	321,753
Parks and Recreation	191,272	227,292	-	-	191,272	227,292
Service Department	103,182	96,140	-	-	103,182	96,140
Pool	48,632	39,301	-	-	48,632	39,301
Civic Center	-	251,699	-	-	-	251,699
Bond Interest	298,464	296,852	-	-	298,464	296,852
Water and Sewer	-	-	2,132,119	1,708,872	2,132,119	1,708,872
Refuse	-	-	841,306	754,081	841,306	754,081
Cemetery	-	-	4,640	6,209	4,640	6,209
Total Expenses	<u>4,657,405</u>	<u>4,354,596</u>	<u>2,978,065</u>	<u>2,469,162</u>	<u>7,635,470</u>	<u>6,823,758</u>
Increase (Decrease) in Net Position before Transfers	685,230	396,566	475,912	821,831	1,161,142	1,218,397
<b>TRANSFERS</b>	250,000	259,802	(250,000)	(259,802)	-	-
<b>SPECIAL ITEM</b>						
Loss on Debt Restructuring	<u>(6,066,741)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,066,741)</u>	<u>-</u>
Change in Net Position	(5,131,511)	656,368	225,912	562,029	(4,905,599)	1,218,397
<b>NET POSITION AT BEGINNING OF YEAR</b>	7,292,708	7,469,469	4,520,359	3,958,330	11,813,067	11,427,799
Restatement of Net Position	<u>(862,403)</u>	<u>(833,129)</u>	<u>(467,349)</u>	<u>-</u>	<u>(1,329,752)</u>	<u>(833,129)</u>
<b>NET POSITION AT BEGINNING OF YEAR - RESTATED</b>	<u>6,430,305</u>	<u>6,636,340</u>	<u>4,053,010</u>	<u>3,958,330</u>	<u>10,483,315</u>	<u>10,594,670</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,298,794</u>	<u>\$ 7,292,708</u>	<u>\$ 4,278,922</u>	<u>\$ 4,520,359</u>	<u>\$ 5,577,716</u>	<u>\$ 11,813,067</u>

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$2,502,796.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets:**

At the end of fiscal 2015, the City had \$11,059,210, net of depreciation, invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreational facilities, roads, bridges, and water and sewer lines. Additional information on the City's capital assets is presented in the Notes to the Financial Statements (Note 6, pages 36 through 37).

### **Debt:**

During the fiscal year, the City issued General Obligation Refunding Bonds, Series 2015 in the amount of \$5,705,000 by refinancing the General Obligation Refunding Bonds, Series 2010. At year-end, the City had \$8,983,653 in bonds and \$95,109 in capital leases outstanding.

Other obligations include accrued vacation. More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements (Note 7, page 37 through 38).

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors and goals when setting the fiscal year 2016 budget and tax rates. While the national economy continues to struggle, the local area has experienced significant increases in activities related to oil field development over the past 5 years. The budget was executed in pursuit of two primary objectives: to continue implementing the Insolvency Turnaround Plan relating to the City's finances, and addressing future needs of the City's infrastructure. Within this context, the top priority is to improve the quality of municipal services provided to both residential and commercial growth. Infrastructure improvements will continue as an integral part of that effort so that we may maintain our services and competitive posture. The street department will continue paving projects in accordance with the street study and the water distribution department will begin an engineered improvement plan designed to meet the needs of future growth. These factors were taken into account when adopting the general fund budget for 2016.

Amounts available for appropriation in the general fund budget are \$4,074,820, an increase of \$140,000 or 3.5% over the final 2015 budget of \$3,934,923. In order to accomplish funding of the 2015 budget, the 2016 tax rate was set at \$0.174100/\$100 for general operations and \$0.151100/\$100 for debt service, for a total of \$0.325200/\$100.

Although the general fund balance improved to \$435,057 at September 30, 2015, Council and Staff are addressing the issue with the adoption and implementation of the Insolvency Turnaround Plan. Some of the key components included are additional monitoring of current budgets, implementing a zero based budgeting for 2015/2016, and developing financial management policies. The plan is to be reviewed semi-annually by Council for progress and to update or set additional priorities. The vision of the Insolvency Turnaround Plan is for staff, on a daily basis, to ensure that the goals of the plan are addressed.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at the City's office at 1120 D Street, Floresville, Texas 78114.

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## **BASIC FINANCIAL STATEMENTS**

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,306,281	\$ 910,011	\$ 3,216,292
Receivables - Net of Allowances for Uncollectibles:			
Property Taxes	210,124	-	210,124
Other	66,335	567,691	634,026
Due from Fiduciary Funds	2,181	-	2,181
Due from Other Governments	299,917	-	299,917
Inventories	-	-	-
Prepaid Items	55,294	-	55,294
Capital Assets, Net			
Land	719,179	58,155	777,334
Construction in Process	-	-	-
Buildings	5,401,539	-	5,401,539
Property, Plant and Equipment	643,004	3,304,918	3,947,922
Infrastructure	932,415	-	932,415
Note Receivable Center for Housing	-	-	-
Note Receivable F & W	-	-	-
Note Receivable Floresville EDC	1,153,443	-	1,153,443
<u>TOTAL ASSETS</u>	<u>11,789,712</u>	<u>4,840,775</u>	<u>16,630,487</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Deferred Outflows	171,595	63,441	235,036
<u>LIABILITIES</u>			
Accounts Payable	35,793	79,684	115,477
Accrued Liabilities	191,419	68,490	259,909
Due to Others	-	-	-
Accrued Interest Payable	38,287	-	38,287
Noncurrent Liabilities			
Long-term Debt: Due Within One Year	559,913	13,857	573,770
Long-Term Debt: Due in More than One Year	8,667,116	41,568	8,708,684
Net Pension Liability	847,910	313,486	1,161,396
OPEB Liability	211,926	67,485	279,411
Total Liabilities	<u>10,552,364</u>	<u>584,570</u>	<u>11,136,934</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Related Deferred Inflows	110,149	40,724	150,873
<u>NET POSITION</u>			
Net Investment in Capital Assets	(72,388)	3,363,073	3,290,685
Restricted Net Position			
Debt Service	424,653	-	424,653
Special Revenue Funds	1,486,292	-	1,486,292
Unrestricted Net Position	<u>(539,763)</u>	<u>915,849</u>	<u>376,086</u>
Total Net Position	<u>\$ 1,298,794</u>	<u>\$ 4,278,922</u>	<u>\$ 5,577,716</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

COMPONENT UNITS		
GOVERNMENTAL TYPE		BUSINESS TYPE
FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2015 F.E.L.P.S.
\$ 1,336,347	\$ 1,230,819	\$ 24,450,632
-	-	-
-	-	1,796,891
-	-	-
59,238	118,476	-
2,297	217,088	1,640,829
-	-	193,463
920,020	186,078	-
-	971,119	-
1,684	-	-
-	-	48,574,582
-	-	-
-	90,651	-
-	83,295	-
-	-	-
<u>2,319,586</u>	<u>2,897,526</u>	<u>76,656,397</u>
-	<u>7,063</u>	<u>190,192</u>
-	6,013	1,654,881
22,564	59,772	300,980
-	-	938,850
6,264	-	376,854
16,000	68,200	1,615,000
892,851	1,089,575	27,817,209
-	34,901	11,824,340
-	-	-
<u>937,679</u>	<u>1,258,461</u>	<u>44,528,114</u>
-	<u>4,534</u>	-
921,704	186,078	19,142,373
-	-	2,144,771
-	-	-
<u>460,203</u>	<u>1,455,516</u>	<u>11,031,331</u>
<u>\$ 1,381,907</u>	<u>\$ 1,641,594</u>	<u>\$ 32,318,475</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2015

FUNCTIONS AND PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Primary Government</b>				
<u>Governmental Activities</u>				
Administration	\$ (1,588,834)	\$ 286,432	\$ 178,244	\$ 565,760
Municipal Court	(184,939)	172,443	-	-
Police Department	(1,330,695)	48,546	6,200	-
Fire Department	(72,597)	-	-	-
Streets Department	(467,342)	-	-	-
Parks and Recreation	(371,448)	31,824	2,700	-
Service Department	(191,272)	-	-	-
Pool Department	(103,182)	48,899	-	-
Mayor and Council	(48,632)	-	-	-
Interest on Long Term Debt	(298,464)	-	-	-
Total Governmental Activities	<u>(4,657,405)</u>	<u>588,144</u>	<u>187,144</u>	<u>565,760</u>
<u>Business-Type Activities</u>				
Water and Sewer	(2,132,119)	2,363,344	-	-
Refuse	(841,306)	1,072,232	-	-
Cemetery	(4,640)	18,391	-	-
Total Business-Type Activities	<u>(2,978,065)</u>	<u>3,453,967</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (7,635,470)</u>	<u>\$ 4,042,111</u>	<u>\$ 187,144</u>	<u>\$ 565,760</u>
<b>Component Units</b>				
Floresville 4A Corp.	\$ (608,590)	\$ 165,413	\$ -	\$ -
Floresville E.D.C.	(279,053)	2,650	-	-
F.E.L.P.S.	(35,588,159)	37,892,516	-	975,356
TOTAL COMPONENT UNITS	<u>\$ (36,475,802)</u>	<u>\$ 38,060,579</u>	<u>\$ -</u>	<u>\$ 975,356</u>
<u>General Revenues</u>				
Taxes:				
Property Taxes				
Sales and Other Taxes				
Franchise Fees				
Interest				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
<u>Special Item</u>				
Gain (Loss) on Debt Restructuring				
Change in Net Position				
<u>NET POSITION AT BEGINNING OF YEAR</u>				
Restatement of Net Position				
Cash Distributions to Cities				
<u>NET POSITION AT BEGINNING OF YEAR - RESTATED</u>				
NET POSITION AT END OF YEAR				

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	GOVERNMENTAL TYPE		BUSINESS
			FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	TYPE 12/31/2015 F.E.L.P.S.
\$ (558,398)	\$ -	\$ (558,398)			
(12,496)	-	(12,496)			
(1,275,949)	-	(1,275,949)			
(72,597)	-	(72,597)			
(467,342)	-	(467,342)			
(336,924)	-	(336,924)			
(191,272)	-	(191,272)			
(54,283)	-	(54,283)			
(48,632)	-	(48,632)			
<u>(298,464)</u>	<u>-</u>	<u>(298,464)</u>			
<u>(3,316,357)</u>	<u>-</u>	<u>(3,316,357)</u>			
-	231,225	231,225			
-	230,926	230,926			
<u>-</u>	<u>13,751</u>	<u>13,751</u>			
<u>-</u>	<u>475,902</u>	<u>475,902</u>			
<u>(3,316,357)</u>	<u>475,902</u>	<u>(2,840,455)</u>			
			\$ (443,177)	\$ -	\$ -
			-	(276,403)	-
			<u>-</u>	<u>-</u>	<u>3,279,713</u>
			<u>(443,177)</u>	<u>(276,403)</u>	<u>3,279,713</u>
948,762	-	948,762	-	-	-
2,242,884	-	2,242,884	389,260	778,521	-
792,593	-	792,593	-	-	-
26	10	36	-	1,784	27,678
17,322	-	17,322	240,202	(105,455)	-
<u>250,000</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,251,587</u>	<u>(249,990)</u>	<u>4,001,597</u>	<u>629,462</u>	<u>674,850</u>	<u>27,678</u>
<u>(6,066,741)</u>	<u>-</u>	<u>(6,066,741)</u>	<u>6,066,741</u>	<u>-</u>	<u>-</u>
(5,131,511)	225,912	(4,905,599)	6,253,026	398,447	3,307,391
7,292,708	4,520,359	11,813,067	(4,871,119)	1,278,645	30,173,319
(862,403)	(467,349)	(1,329,752)	-	(35,498)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,162,235)</u>
<u>6,430,305</u>	<u>4,053,010</u>	<u>10,483,315</u>	<u>(4,871,119)</u>	<u>1,243,147</u>	<u>29,011,084</u>
<u>\$ 1,298,794</u>	<u>\$ 4,278,922</u>	<u>\$ 5,577,716</u>	<u>\$ 1,381,907</u>	<u>\$ 1,641,594</u>	<u>\$ 32,318,475</u>

CITY OF FLORESVILLE, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>STREET MAINTENANCE TAX</u>	<u>HOTEL/ MOTEL OCCUPANCY TAX</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 353,907	\$ 427,060	\$ 745,765	\$ 465,788	\$ 313,761	\$ 2,306,281
Receivables - Net of Allowances for Uncollectibles						
Property Taxes	131,533	78,591	-	-	-	210,124
Other	61,986	-	-	-	4,349	66,335
Due from Other Funds	2,181	-	-	-	41,552	43,733
Due from Other Governments	240,679	-	59,238	-	-	299,917
Prepaid Expenditures	<u>30,294</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>55,294</u>
 TOTAL ASSETS	 <u>\$ 820,580</u>	 <u>\$ 505,651</u>	 <u>\$ 805,003</u>	 <u>\$ 490,788</u>	 <u>\$ 359,662</u>	 <u>\$ 2,981,684</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 21,019	\$ 2,407	\$ 2,973	\$ -	\$ 9,394	\$ 35,793
Accrued Liabilities	191,419	-	-	-	-	191,419
Due to Others Funds	<u>41,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,552</u>
 Total Liabilities	 <u>253,990</u>	 <u>2,407</u>	 <u>2,973</u>	 <u>-</u>	 <u>9,394</u>	 <u>268,764</u>
<u>Deferred Inflows of Resources</u>						
Unearned Revenues - Taxes	<u>131,533</u>	<u>78,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,124</u>
<u>FUND BALANCES</u>						
Restricted						
Debt Service	-	424,653	-	-	-	424,653
Special Revenue	-	-	802,030	490,788	193,474	1,486,292
Capital Projects	-	-	-	-	156,794	156,794
Unassigned	<u>435,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,057</u>
Total Fund Balances	<u>435,057</u>	<u>424,653</u>	<u>802,030</u>	<u>490,788</u>	<u>350,268</u>	<u>2,502,796</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 820,580</u>	 <u>\$ 505,651</u>	 <u>\$ 805,003</u>	 <u>\$ 490,788</u>	 <u>\$ 359,662</u>	 <u>\$ 2,981,684</u>

CITY OF FLORESVILLE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

**Total fund balance-total governmental funds** **\$ 2,502,796**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 7,696,137

Property taxes receivable unavailable to pay current expenses are deferred in the funds. 210,124

Other long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,153,443

Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds. (148,267)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These consisted of the following:

Other Post Employment Benefit (OPEB) (211,926)

Net Pension Liability, Deferred Outflows and Inflows (TMRS) (786,464)

Bonds Payable (9,078,762)

Accrued interest payable on bonded debt is not reported in the funds. (38,287)

**Total net position of governmental activities** **\$ 1,298,794**

**CITY OF FLORESVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	GENERAL FUND	DEBT SERVICE FUND	STREET MAINTENANCE TAX	HOTEL/ MOTEL OCCUPANCY TAX	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Property Taxes	\$ 480,022	\$ 468,927	\$ -	\$ -	\$ -	\$ 948,949
Sales and Other Taxes	1,572,858	-	386,799	283,227	-	2,242,884
Franchise Fees	792,593	-	-	-	-	792,593
Licenses, Permits, Fees and Fines	511,141	-	-	-	80,003	591,144
Miscellaneous	17,322	-	-	-	-	17,322
Contributions	342,241	100,000	-	-	-	442,241
Interest	8	-	-	-	18	26
Total Revenues	<u>3,716,185</u>	<u>568,927</u>	<u>386,799</u>	<u>283,227</u>	<u>80,021</u>	<u>5,035,159</u>
<b>EXPENDITURES</b>						
Administration	1,148,262	500	-	319,177	-	1,467,939
Municipal Court	168,246	-	-	-	-	168,246
Police Department	1,297,453	-	-	-	-	1,297,453
Fire Department	66,137	-	-	-	-	66,137
Streets Department	361,773	-	142,974	-	11,282	516,029
Parks and Recreation	390,455	-	-	-	-	390,455
Service Department	200,156	-	-	-	-	200,156
Pool Department	93,402	-	-	-	-	93,402
Mayor and Council	44,235	-	-	-	-	44,235
Debt Service						
Principal	12,655	404,907	-	-	-	417,562
Interest	1,002	127,620	-	-	-	128,622
Bond Costs	-	154,679	-	-	-	154,679
Total Expenditures	<u>3,783,776</u>	<u>687,706</u>	<u>142,974</u>	<u>319,177</u>	<u>11,282</u>	<u>4,944,915</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(67,591)</u>	<u>(118,779)</u>	<u>243,825</u>	<u>(35,950)</u>	<u>68,739</u>	<u>90,244</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Bonds	-	5,705,000	-	-	-	5,705,000
Premium on Bonds	-	528,653	-	-	-	528,653
Payment to Escrow Agent	-	(6,078,974)	-	-	-	(6,078,974)
Transfers In	250,000	-	-	-	-	250,000
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>154,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,679</u>
Net Change in Fund Balances	182,409	35,900	243,825	(35,950)	68,739	494,923
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>252,648</u>	<u>388,753</u>	<u>558,205</u>	<u>526,738</u>	<u>281,529</u>	<u>2,007,873</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 435,057</u>	<u>\$ 424,653</u>	<u>\$ 802,030</u>	<u>\$ 490,788</u>	<u>\$ 350,268</u>	<u>\$ 2,502,796</u>



CITY OF FLORESVILLE, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**Net change in fund balances-governmental funds** **\$ 494,923**

Amounts reported in governmental activities and in the statement of activities are different because:

Capital assets are not recorded in government funds and are reported on the statement of net position. This is the amount of 2015 additions to capital assets.	678,196
Capital assets are not recorded in government funds and are not therefore depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2015 depreciation.	(396,320)
Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year.	(187)
The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the statement of activities.	6,346,740
Bond proceeds provide current financial resources to governmental funds, but is an increase of the liability and does not affect the statement of activities.	
Bond Proceeds	(5,705,000)
Bond Premium	(528,653)
Accretion of interest is not reported in the funds.	(147,021)
Capital lease is recognized as other financing uses in the funds and reported as a liability in the statement of net position.	147,377
Amounts to be expended for long-term other post employment benefits (OPEB) is not recorded as an expenditure in the funds, but is an expense in the statement of activities. This is the change in OPEB liability in 2015.	(24,479)
Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This the current year change in those liabilities, reported as an expense in the statement of activities (accrued interest).	(13,390)
Amounts to be expended for long-term employee leave is not recorded as an expenditure in the funds, but is an expense in the statement of activities. This is the change in compensated absences in 2015.	117,536
Recognition of the City's net pension liability required by GASB Statement No. 68 and changes in deferred outflows and inflows of resources related to the TMRS pension liability.	75,939
Payments received and write offs on the interlocal receivables are not recorded as revenues in the governmental funds but as a reduction of the receivable in the statement of activities.	<u>(6,177,172)</u>

**Change in net position of governmental activities** **\$ (5,131,511)**

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 746,113	\$ 95,834	\$ 68,064	\$ 910,011
Accounts Receivable, Net of Allowance for Uncollectibles	<u>402,117</u>	<u>165,574</u>	<u>-</u>	<u>567,691</u>
Total Current Assets	<u>1,148,230</u>	<u>261,408</u>	<u>68,064</u>	<u>1,477,702</u>
<u>CAPITAL ASSETS</u>				
Land, System, Buildings, and Equipment	10,673,103	-	52,926	10,726,029
Less: Accumulated Depreciation	<u>(7,336,375)</u>	<u>-</u>	<u>(26,581)</u>	<u>(7,362,956)</u>
Net Capital Assets	<u>3,336,728</u>	<u>-</u>	<u>26,345</u>	<u>3,363,073</u>
 TOTAL ASSETS	 <u>4,484,958</u>	 <u>261,408</u>	 <u>94,409</u>	 <u>4,840,775</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Deferred Outflows	<u>63,441</u>	<u>-</u>	<u>-</u>	<u>63,441</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	9,510	70,174	-	79,684
Accrued Liabilities	<u>61,527</u>	<u>6,963</u>	<u>-</u>	<u>68,490</u>
Total Current Liabilities	<u>71,037</u>	<u>77,137</u>	<u>-</u>	<u>148,174</u>
<u>NONCURRENT LIABILITIES</u>				
Accrued Compensated Absences	55,425	-	-	55,425
OPEB Liability	67,485	-	-	67,485
Net Pension Liability	<u>313,486</u>	<u>-</u>	<u>-</u>	<u>313,486</u>
Total NonCurrent Liabilities	<u>436,396</u>	<u>-</u>	<u>-</u>	<u>436,396</u>
 TOTAL LIABILITIES	 <u>507,433</u>	 <u>77,137</u>	 <u>-</u>	 <u>584,570</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Deferred Inflows	<u>40,724</u>	<u>-</u>	<u>-</u>	<u>40,724</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,336,728	-	26,345	3,363,073
Unrestricted	<u>663,514</u>	<u>184,271</u>	<u>68,064</u>	<u>915,849</u>
Total Net Position	<u>\$ 4,000,242</u>	<u>\$ 184,271</u>	<u>\$ 94,409</u>	<u>\$ 4,278,922</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATERWORKS AND SEWER	REFUSE	CEMETERY	TOTALS
<u>OPERATING REVENUES</u>				
Water Sales, Penalties, and Connection Fees	\$ 1,433,000	\$ -	\$ -	\$ 1,433,000
Sewer Sales, Penalties, and Connection Fees	930,344	-	-	930,344
Refuse Collection Fees and Penalties	-	1,072,232	-	1,072,232
Sale of Cemetery Lots	-	-	18,391	18,391
Total Operating Revenues	<u>2,363,344</u>	<u>1,072,232</u>	<u>18,391</u>	<u>3,453,967</u>
<u>OPERATING EXPENSES</u>				
Personnel Costs	912,387	-	-	912,387
General and Administrative Expenses	260,736	-	-	260,736
Repairs and Maintenance	313,775	-	-	313,775
Utilities	172,566	-	-	172,566
Disposal Fees and Sampling Costs	227,615	841,306	-	1,068,921
Chemicals	64,507	-	-	64,507
Liability Insurance	11,394	-	-	11,394
Other Operating Expenses	-	-	2,709	2,709
Depreciation	169,139	-	1,931	171,070
Total Operating Expenses	<u>2,132,119</u>	<u>841,306</u>	<u>4,640</u>	<u>2,978,065</u>
Operating Income	<u>231,225</u>	<u>230,926</u>	<u>13,751</u>	<u>475,902</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	10	-	-	10
Total Nonoperating Revenues (Expenses)	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Net Income before Transfers	231,235	230,926	13,751	475,912
Transfers Out	<u>(50,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(250,000)</u>
Change in Net Position	181,235	30,926	13,751	225,912
<u>NET POSITION AT BEGINNING OF YEAR</u>	<u>4,219,011</u>	<u>220,690</u>	<u>80,658</u>	<u>4,520,359</u>
RESTATEMENT OF NET POSITION	<u>(400,004)</u>	<u>(67,345)</u>	<u>-</u>	<u>(467,349)</u>
<u>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</u>	<u>3,819,007</u>	<u>153,345</u>	<u>80,658</u>	<u>4,053,010</u>
NET POSITION AT END OF YEAR	<u>\$ 4,000,242</u>	<u>\$ 184,271</u>	<u>\$ 94,409</u>	<u>\$ 4,278,922</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUSINESS- TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Payments Received from Customers	\$ 2,306,473	\$ 1,056,727	\$ 18,391	\$ 3,381,591
Payments to Suppliers for Goods and Services	(1,116,088)	(838,272)	(2,709)	(1,957,069)
Payments for Salaries and Benefits	(896,094)	-	-	(896,094)
Net Cash Provided by Operating Activities	<u>294,291</u>	<u>218,455</u>	<u>15,682</u>	<u>528,428</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	(484,453)	-	-	(484,453)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers to Other Funds	(50,000)	(200,000)	-	(250,000)
Net Cash Used in Noncapital Financing Activities	<u>(50,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(250,000)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	10	-	-	10
Net Increase (Decrease) in Cash and Cash Equivalents	(240,152)	18,455	15,682	(206,015)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>986,265</u>	<u>77,379</u>	<u>52,382</u>	<u>1,116,026</u>
 CASH AND CASH EQUIVALENTS - ENDING	 <u>\$ 746,113</u>	 <u>\$ 95,834</u>	 <u>\$ 68,064</u>	 <u>\$ 910,011</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income	\$ 231,225	\$ 230,926	\$ 13,751	\$ 475,902
Depreciation	169,139	-	1,931	171,070
(Increase) Decrease in Assets				
Accounts Receivable	(56,871)	(15,505)	-	(72,376)
Inventory	-	-	-	-
Increase (Decrease) in Liabilities				
Accounts Payable	(65,495)	2,829	-	(62,666)
Accrued Expenses	34,301	205	-	34,506
Net Pension Liability	(28,075)	-	-	(28,075)
OPEB Liability	10,067	-	-	10,067
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 294,291</u>	<u>\$ 218,455</u>	<u>\$ 15,682</u>	<u>\$ 528,428</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
SEPTEMBER 30, 2015

	<u>TRUST FUND</u> <u>FIREMEN'S</u> <u>RELIEF AND</u> <u>RETIREMENT</u>	<u>AGENCY FUNDS</u> <u>F.E.L.P.S.</u> <u>COLLECTIONS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>          -</u>	\$ <u>      2,463</u>
TOTAL ASSETS	\$ <u>          -</u>	\$ <u>      2,463</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>LIABILITIES</u>		
Due to General Fund	\$ 2,181	\$ -
Due to F.E.L.P.S.	<u>          -</u>	<u>      2,463</u>
TOTAL LIABILITIES	<u>      2,181</u>	<u>      2,463</u>
<u>NET POSITION</u>		
Unrestricted	<u>      (2,181)</u>	<u>                  -</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>          -</u>	\$ <u>      2,463</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
TRUST FUND – FIREMEN’S RELIEF RETIREMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>ADDITIONS</u>	
Interest Earned	\$ <u>          -</u>
 <u>DEDUCTIONS</u>	
Benefits Paid	<u>          25</u>
Change in Net Position	(25)
 <u>NET POSITION - BEGINNING OF YEAR</u>	 <u>          (2,156)</u>
NET POSITION - END OF YEAR	 <u>\$ (2,181)</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Floresville, Texas ("City"), was incorporated under the provisions of the Acts of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, sanitation, culture and recreation, planning and zoning, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

**A. Reporting Entity**

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

**Component Units:**

Based on the criteria of GASB Nos. 14 and 39, the Floresville Economic Development Corporation (FEDC) and the Floresville 4A Corporation are considered to be discretely presented component units. FEDC and the Floresville 4A Corporation are financially accountable to the City because City Council approves their budgets and must approve any debt issuance. The component unit boards are appointed by City Council and their activities benefit the City by promoting growth and development opportunities.

**Joint Venture:**

The City of Floresville Electric Light and Power System (F.E.L.P.S.) is a municipally owned electric light and power distribution system which serves most of Wilson County, and portions of Bexar and Karnes Counties including the cities of Floresville, Stockdale and Poth. Management and control of the system is vested in a five-member Board of Trustees composed of the Mayor of Floresville, one member for each of the cities of Floresville, Stockdale, and Poth appointed by the respective governing body, and one member appointed on a rotating basis by the City Councils of Floresville, Stockdale, or Poth. The board also includes two non-voting advisory members appointed by the cities of Falls City and La Vernia. The City of Floresville has a 66% interest in this joint venture. Based on the criteria of GASB Nos. 14 and 39 F.E.L.P.S. is considered to be a discretely presented component unit of the City of Floresville.



CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The value of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services.

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

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental activities and business type activities are reported as separate columns in the statement of net position.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes which are levied prior to September 30, 2014, and became due October 1, 2014 have been assessed to finance the budget of the fiscal year beginning October 1, 2014 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statement at September 30, 2015.

Sales taxes, franchise taxes, hotel/motel taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The general fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, and intergovernmental revenues. Primary expenditures are for general administration, public safety, streets and public recreation.

The debt service fund accounts for tax revenues and various debt transactions.

The street maintenance tax fund is classified as a special revenue fund that is funded by ¼ cent sales tax revenue approved by voters in November 2012 for maintenance of City streets.

The hotel/motel tax fund is also classified as a special revenue fund that is funded by taxes imposed on occupancy of a room or space furnished by a hotel/motel/lodge. Revenue from this tax is used by the City to promote tourism as is allowed by state statute.

Nonmajor funds include special revenue funds which are used to separately account for funds related to grants, contracts, and ordinances. The capital projects fund is used to account for the proceeds of the 2008 debt issue and transfers to the general fund for related capital projects expenditures.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary funds consist of the water/wastewater fund, refuse fund and the cemetery fund.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations.

Additionally, the government reports the following fund types:

Agency funds are used to report other resources held in a purely custodial capacity (assets = liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary fund (private purpose trust fund) is reported in the trust and agency financial statements. However, because its assets are held in trust or agent capacity and therefore are not available to support City programs, this fund is not included in the government-wide statements.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments including cash in banks, cash on hand, money market accounts and deposits in local government investment pools to be cash equivalents.

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Investments are stated at fair value.

F. Accounts Receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2014 and past due after January 31, 2015. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable (Continued)

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on fund statements.

H. Budgets

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

I. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset</u>	<u>Useful Life</u>
Buildings	40 years
Transportation and equipment	3-30 years
Infrastructure	40 years
Improvements other than buildings	10-40 years

J. Compensated Absences

Vested or accumulated vacation and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation and compensatory time that is not expected to be liquidated with expendable available financial resources are reported in the government wide statements.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences (Continued)

Vested or accumulated vacation and compensatory time of the Enterprise Fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation and compensatory time at September 30, 2015, of \$55,425 and \$148,267 has been recorded in accrued liabilities of the Enterprise Fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

K. Deferred Outflows and Inflows of Resources

Deferred inflows of resources represent 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. Deferred outflows of resources represent 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.

Deferred inflows of resources in the Statement of Net Position related to pensions totaled \$150,873 (\$110,149 in governmental activities and \$40,724 in business-type activities). Deferred outflows of resources in the Statement of Net Position related to pensions totaled \$235,036 (\$171,595 in governmental activities and \$63,441 in business-type activities)

Property tax revenues are recognized when they become both measurable and available in fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as deferred inflow of resources in the funds. Deferred inflows of resources on the balance sheet totaled \$210,124.

Additional information concerning deferred outflows of resources and deferred inflows of resources related to pensions can be found in Note 8, Employer's Retirement System.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of 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.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) Fund Balance Reporting and Governmental Fund Type Definitions. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- **Non-spendable** – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- **Restricted** – These funds are governed by externally enforceable restrictions.
- **Committed** – Fund balances in this category are limited by the government’s highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- **Assigned** – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a city administrator or finance director. Assigned fund balance is delegated by the City Council to the City Manager.
- **Unassigned** – This classification is the default for all funds that do not fit into the other categories.

N. Net Position

Net position represent the difference between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net position of its business type activity. Such appropriations reflect the intended use of the net position.

O. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water, sewer and refuse services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Change in Accounting Policy

During fiscal year 2015, the City changed accounting policies related to reporting of net pension liability, deferred outflows of resources, and deferred inflows of resources in a statement of net financial position by adopting GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – an Amendment of GASB Statement No. 27. Accordingly, the effect of the accounting change is reported on the statement of net position and the statement of activities for the current year.

NOTE 2—CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

A. Cash

At September 30, 2015, the carrying amount of the primary government's (the City) cash on hand was \$1,443, deposits in the bank were \$4,034,515 and the book balance was \$3,214,849. The City's cash was fully collateralized. The bank and book balance reported in the trust and agency funds was \$2,463.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, 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 of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 2—CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investments pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments consist of the following:

	Reported and Fair Value	Weighted Average Maturity	Rating S&P
Cash on hand	\$ 1,443	n/a	n/a
Bank deposits	<u>3,214,849</u>	n/a	n/a
Total cash and cash equivalents	<u>\$ 3,216,292</u>		

NOTE 3—RECEIVABLES

A. Other Receivables

Other receivables consist of the following:

	<u>Amount</u>	<u>Allowance for Doubtful</u>	<u>Net Receivable</u>
Property taxes	\$ 247,205	\$ (37,081)	\$ 210,124
Other governments	299,917	-	299,917
Accounts	67,035	(700)	66,335
Utility	683,691	(116,000)	567,691

B. Notes Receivable

Notes receivable consist of amounts due from the Floresville EDC in the amount of \$1,153,443. These notes are a result of an Interlocal Agreement whereby the Floresville EDC have agreed to pay the City for a share of the bonded debt issued by the City in 2008. The payments to the City mirror the City's debt service requirements on the bonds.



CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 3—RECEIVABLES (CONTINUED)

B. Notes Receivable (Continued)

Future payments under the Interlocal Agreements are as follows:

	Interlocal Agreement
	Floresville EDC
2016	\$ 68,200
2017	72,600
2018	77,000
2019	79,200
2020	83,600
2021-2025	378,400
2026-2028	394,443
	\$ 1,153,443

Interest rates on the Floresville EDC Interlocal Agreement is 3.91%.

NOTE 4—PROPERTY TAX CALENDAR

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE 5—INTERFUND TRANSACTIONS

At September 30, 2015, the general fund owed \$41,552 to the federal forfeiture fund and the firemen's relief and retirement trust fund owed the general fund \$2,181.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 5—INTERFUND TRANSACTIONS (CONTINUED)

Transfers consisted of the following:

	<u>GENERAL FUND</u>	<u>PURPOSE</u>
Transfers to the General Fund consisted of the following:		
Waterworks/Sewer Fund	\$ 50,000	Program supplement
Refuse Fund	<u>200,000</u>	Program supplement
 TOTALS	 <u>\$ 250,000</u>	

NOTE 6—CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2015, was as follows:

<u>Governmental activities:</u>	<u>BALANCE 9/30/2014</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE 9/30/2015</u>
Assets Not Being Depreciated				
Land	\$ 160,209	\$ 558,970	\$ -	\$ 719,179
 Assets Being Depreciated				
Buildings	6,647,158	6,790	-	6,653,948
Property, plant and equipment	4,305,840	112,436	-	4,418,276
Infrastructure	<u>2,199,952</u>	<u>-</u>	<u>-</u>	<u>2,199,952</u>
Total Assets Being Depreciated	13,152,950	119,226	-	13,272,176
 Less Accumulated Depreciation				
Buildings	(1,087,141)	(165,268)	-	(1,252,409)
Property, plant and equipment	(3,600,525)	(174,747)	-	(3,775,272)
Infrastructure	<u>(1,211,232)</u>	<u>(56,305)</u>	<u>-</u>	<u>(1,267,537)</u>
Total Assets Being Depreciated	(5,898,898)	(396,320)	-	(6,295,218)
 Assets Being Depreciated, Net	 <u>7,254,052</u>	 <u>(277,094)</u>	 <u>-</u>	 <u>6,976,958</u>
Total Capital Assets, Net	<u>\$ 7,414,261</u>	<u>\$ 281,876</u>	<u>\$ -</u>	<u>\$ 7,696,137</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 143,380
Municipal Court	16,433
Police Department	128,062
Fire Department	6,460
Streets Department	50,403
Parks and Recreation	38,138
Pool Department	9,123
Mayor and Council	<u>4,321</u>
	<u>\$ 396,320</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 6—CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended September 30, 2015, was as follows:

<u>Business-type activities:</u>	<u>BALANCE</u> <u>9/30/2014</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2015</u>
Assets Not Being Depreciated:				
Land	\$ 58,155	\$ -	\$ -	\$ 58,155
Assets Being Depreciated				
Property, plant and equipment	6,539,920	484,453	-	7,024,373
Infrastructure	<u>3,643,501</u>	<u>-</u>	<u>-</u>	<u>3,643,501</u>
Total Assets Being Depreciated	10,183,421	484,453	-	10,667,874
Less Accumulated Depreciation				
Property, plant and equipment	(3,548,385)	(171,070)	-	(3,719,455)
Infrastructure	<u>(3,643,501)</u>	<u>-</u>	<u>-</u>	<u>(3,643,501)</u>
Total Assets Being Depreciated	(7,191,886)	(171,070)	-	(7,362,956)
Total Assets Being Depreciated, Net	<u>2,991,535</u>	<u>313,383</u>	<u>-</u>	<u>3,304,918</u>
Total Capital Assets, Net	<u>\$ 3,049,690</u>	<u>\$ 313,383</u>	<u>\$ -</u>	<u>\$ 3,363,073</u>

NOTE 7—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2015 were comprised of the following:

<u>Governmental activities:</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Additions</u>	<u>Refunded or</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligation-Series 2008 Original amount of \$8,500,000 Interest Rate 3.91%	\$ 2,900,000	\$ -	\$ (150,000)	\$ 2,750,000	\$ 155,000
General Obligation Refunding Bonds, Series 2010, Interest Rate .8% to 3.5%	5,372,316	-	(5,372,316)	-	-
General Obligation Refunding Bonds, Series 2015, Interest Rate 2.0% to 4.0%	-	5,705,000	-	5,705,000	290,000
Premium on GO Refunding Bonds, Series 2015	-	528,653	-	528,653	35,244
Tax Note Series 2008, Original amount of \$190,000, Interest Rate 4%	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Subtotal Bonds and Notes	8,302,316	6,233,653	(5,552,316)	8,983,653	480,244
Accretion of Interest on Capital Appreciation Bonds	<u>647,403</u>	<u>147,021</u>	<u>(794,424)</u>	<u>-</u>	<u>-</u>
Subtotal Bonds and Notes	8,949,719	6,380,674	(6,346,740)	8,983,653	480,244
Capital Lease-Bank of America	115,094	-	(110,454)	4,640	4,639
Capital Lease-Government Capital	<u>127,392</u>	<u>-</u>	<u>(36,923)</u>	<u>90,469</u>	<u>37,963</u>
Subtotal Capital Leases	<u>242,486</u>	<u>-</u>	<u>(147,377)</u>	<u>95,109</u>	<u>42,602</u>
	9,192,205	6,380,674	(6,494,117)	9,078,762	522,846
Compensated Absences	<u>265,803</u>	<u>66,451</u>	<u>(183,987)</u>	<u>148,267</u>	<u>37,067</u>
Total	<u>\$ 9,458,008</u>	<u>\$ 6,447,125</u>	<u>\$ (6,678,104)</u>	<u>\$ 9,227,029</u>	<u>\$ 559,913</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 7—LONG-TERM DEBT (CONTINUED)

Business-type activities:

	Balance 9/30/2014	Additions	Payments	Balance 9/30/2015	Due Within One Year
Compensated Absences	\$ 80,794	\$ 20,199	\$ (45,568)	\$ 55,425	\$ 13,857

In the past, the General Fund and the Water & Wastewater fund were used to liquidate compensated absences.

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2015, including interest payments, are as follows:

Year ended September 30,	Principal	Interest	Total
2016	\$ 445,000	\$ 324,432	\$ 769,432
2017	475,000	294,865	769,865
2018	495,000	282,213	777,213
2019	510,000	265,771	775,771
2020	530,000	248,833	778,833
2021-2025	2,725,000	914,430	3,639,430
2026-2030	3,275,000	379,642	3,654,642
Totals	<u>\$ 8,455,000</u>	<u>\$ 2,710,186</u>	<u>\$ 11,165,186</u>

Capital lease:

Commitments under capitalized lease agreements for vehicles and equipment provide for minimum future lease payments as of September 30, 2015 as follows:

Year ended September 30,	
2016	\$ 46,060
2017	27,764
2018	<u>27,764</u>
Total minimum rentals	101,588
Less amount representing interest	<u>(6,479)</u>
Net present value	<u>\$ 95,109</u>

The effective interest rate on capital leases range from 3.51%- 3.81%.

In July 2015, General Obligation Refunding Bonds, Series 2015 in the amount of \$5,705,000 were issued. The City of Floresville, Texas General Obligation Refunding Bonds, Series 2010 in the original amount of \$5,766,579 were redeemed at the date of refunding. The goal of this refunding was to provide cash flow relief on future payment obligations. The refunding produced additional debt service payments from the City of \$908,107, including a net present value cost of \$88,211 over the life of the refunding bonds.

NOTE 8— NET POSITION DEFICIT AND MANAGEMENT PLANS

Due to the debt restructuring and implementation of GASB Statement No. 68 in 2015, the City's governmental activities experienced a total decrease in net position of \$5,993,914. This decrease has caused the ending unassigned net position at September 30, 2015 to be (\$539,763). The City believes future funding and balanced budgeting will bring the unassigned net position out of it's deficit.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 9—EMPLOYEES' RETIREMENT SYSTEM

**Plan Description** - The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty-five (25) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 5%, and the City matching percent is currently 2 to 1.

**Employees Covered by Benefit Terms**

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	37
Active employees	58

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 9—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.96% and 10.91% for calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$263,987, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 9—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
Internantional Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 5,742,980	\$ 4,355,839	\$ 1,387,141
Changes for the year:			
Service Cost	211,816	-	211,816
Interest	395,168	-	395,168
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(206,580)	-	(206,580)
Changes of Assumptions	-	-	-
Contributions - Employer	-	236,798	(236,798)
Contributions - Employee	-	108,047	(108,047)
Net Investment Income	-	249,219	(249,219)
Benefit Payments, Including Refunds of Employee Contributions	(407,263)	(407,263)	-
Administrative Expense	-	(2,602)	2,602
Other Changes	-	(214)	214
Net Changes	<u>(6,859)</u>	<u>183,985</u>	<u>(190,844)</u>
Balance at December 31, 2014	<u>\$ 5,736,121</u>	<u>\$ 4,539,824</u>	<u>\$ 1,196,297</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 9—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease in</u> <u>Discount Rate (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase in</u> <u>Discount Rate (8.0%)</u>	
City's Net Pension Liability	\$ 2,058,877	\$ 1,196,297	\$ 496,599	

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, based on actuarial valuation at December 31, 2014, the City recognized pension expense of \$156,810.

<u>Schedule of Pension Expense</u>	
Total Service Costs	\$ 211,816
Interest Total Pension Liability	395,168
Employee contributions (reduction of expense)	(108,046)
Projected Earnings on Plan Investment (reduction of Expense)	(304,909)
Administrative Expense	2,602
Other changes in Fiduciary Net Position	214
Recognition of CY Outflow (inflow) of Resources-Liabilities	(51,173)
Recognition of CY Outflow (inflow) of Resources-Assets	<u>11,138</u>
Total Pension Expenses	<u>\$ 156,810</u>

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>Of Resources</u>	<u>Deferred Inflows</u> <u>Of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ -	\$ (155,407)
Difference Between Projected and Actual Investment Earnings	44,552	-
Contributions Subsequent to the Measurement Date	<u>197,547</u>	<u>-</u>
Total	<u>\$ 242,099</u>	<u>\$ (155,407)</u>



CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 9—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The City reported \$197,547 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2015	\$	(40,035)
2016		(40,035)
2017		(40,035)
2018		9,250
2019		-
Thereafter		-
Total	\$	<u>(110,855)</u>

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS

The City provides medical benefits to eligible retirees. The City pays the full individual coverage contributions for retirees meeting certain eligibility requirements. All active employees who retire directly from the City and meet the eligibility criteria may participate in the plan. Retirees pay premiums for coverage in the OPEB programs. There is not a maximum employer paid premium amount (capped benefit). Active employees do not contribute to the retiree health care plan. Retirees are eligible for medical, dental, prescription and life insurance benefits until death of employee in service. Retirees are eligible for benefits immediately upon retirement. If retiree opts out of coverage, retiree is not eligible for re-enrollment.

**Annual OPEB Cost and Net OBEP Obligation**

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ending September 30, 2015 is as follows:

Annual Required Contribution (ARC)	\$	34,648
Interest on OPEB Obligation		228
Adjustment to ARC		<u>(8,618)</u>
OPEB Cost (Expense) End of Year		34,546
Net Estimated Employer Contributions		<u>(26,258)</u>
Increase in Net OPEB Obligation		8,288
Net OPEB Obligation, as of Beginning of Year		<u>244,865</u>
NET OPEB OBLIGATION, AS OF END OF YEAR		<u>\$ 279,411</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2015 and the preceding fiscal year are as follows:

FISCAL YEAR ENDED	ANNUAL OPEB COST	EMPLOYER CONTRIBUTION	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
9/30/2014	\$ 33,975	\$ 28,270	83.21%	\$ 5,704
9/30/2015	34,546	26,258	76.01	13,992

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of October 1, 2014 is as follows:

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	ANNUAL COVERED PAYROLL (c)	RATIO OF UAAL TO ANNUAL COVERED PAYROLL (b-a)/c
10/1/2014	\$ -	\$ 279,411	\$ 279,411	0.00%	\$ 2,160,922	12.93%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$279,411 at October 1, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 12.93%.

**Actuarial Methods and Assumptions**

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

**Actuarial Methods and Assumptions**

Actuarial Valuation Date	10/1/2014
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level Dollar
Amortization Period	30 Years; Open Amortization
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5% per annum, net of expenses
Payroll Growth Rate	N/A
Mortality Rate	RP-2000 M/F Projection AA 2015

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 11—FUND BALANCE CATEGORIES

	General Fund	Debt Service	Street Maintenance Tax	Hotel/ Motel Occupancy Tax	Other Non-major Governmental Funds	Total
Restricted for:						
Debt Service	\$ -	\$ 424,653	\$ -	\$ -	\$ -	\$ 424,653
Capital Projects	-	-	-	-	156,794	156,794
Street Maintenance Tax	-	-	802,030	-	-	802,030
Hotel/Motel Occupancy Tax	-	-	-	490,788	-	490,788
State Forfeiture	-	-	-	-	27,279	27,279
Federal Forfeiture	-	-	-	-	45,853	45,853
LEOSE Funds	-	-	-	-	3,094	3,094
Parks and Recreation	-	-	-	-	106,376	106,376
Municipal Court Building Security	-	-	-	-	13,420	13,420
Municipal Court Technology	-	-	-	-	(3,394)	(3,394)
Child Safety	-	-	-	-	846	846
	-	424,653	802,030	490,788	350,268	2,067,739
Unassigned	435,057	-	-	-	-	435,057
	<u>\$ 435,057</u>	<u>\$ 424,653</u>	<u>\$ 802,030</u>	<u>\$ 490,788</u>	<u>\$ 350,268</u>	<u>\$ 2,502,796</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

NOTE 12—CONTINGENCIES

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

NOTE 13—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contribution amounts. During the past three years, no settlements have exceeded insurance coverage.

NOTE 14—RESTATEMENT OF NET POSITION

The beginning net position of the water and wastewater works and refuse funds have been restated to record a prior period adjustment to correct an invoice that relates to the 2014 fiscal year. Additionally, the City adopted GASB Statement No. 68, *Accounting and Reporting for Pensions*. With the adoption of this standard, the City is required to recognize their specific pension amounts, which include net pension liability (NPL), deferred outflows and inflows of resources, and pension expense. Adoption of GASB No. 68 required a restatement to report the effect of GASB 68 retroactively. Additionally, the City had to recognize a post retirement liability that had not been recorded as of October 1, 2014 for the water and waste water fund as estimated by actuaries. A reconciliation is as follows:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
		WATERWORKS AND SEWER	REFUSE
Net Position - Beginning of Year	\$ 7,292,708	\$ 4,219,011	\$ 220,690
GASB Statement No. 68	(862,403)	(318,844)	-
OPEB Liability	-	(57,416)	-
Correction of Invoices	-	(23,744)	(67,345)
Net Position - Restated	<u>\$ 6,430,305</u>	<u>\$ 3,819,007</u>	<u>\$ 153,345</u>

NOTE 15—SUBSEQUENT EVENTS

Subsequent to year end, the City authorized the issuance of the City of Floresville, Texas Tax Notes, Series 2015 in the amount of \$1,250,000.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A  
GAAP BASIS – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property Taxes	\$ 451,489	\$ 451,489	\$ 480,022	\$ 28,533
Sales and Other Taxes	1,558,000	1,558,000	1,572,858	14,858
Franchise Fees	631,500	764,595	511,141	(253,454)
Licenses, Permits, Fees and Fines	509,279	536,138	792,593	256,455
Miscellaneous	18,557	27,674	17,322	(10,352)
Contributions	217,023	217,023	342,241	125,218
Interest	-	-	8	8
Total Revenues	<u>3,385,848</u>	<u>3,554,919</u>	<u>3,716,185</u>	<u>161,266</u>
<u>EXPENDITURES</u>				
Administration	1,192,937	1,302,780	1,148,262	154,518
Municipal Court	106,851	118,076	168,246	(50,170)
Police Department	1,334,373	1,343,490	1,297,453	46,037
Fire Department	70,000	70,000	66,137	3,863
Streets Department	358,709	358,709	361,773	(3,064)
Parks and Recreation	330,248	369,134	390,455	(21,321)
Service Department	238,164	238,164	200,156	38,008
Pool Department	88,470	88,470	93,402	(4,932)
Mayor and Council	46,100	46,100	44,235	1,865
Debt Service	-	-	-	-
Principal	-	-	12,655	(12,655)
Interest	-	-	1,002	(1,002)
Total Expenditures	<u>3,765,852</u>	<u>3,934,923</u>	<u>3,783,776</u>	<u>151,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(380,004)	(380,004)	(67,591)	312,413
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>380,004</u>	<u>380,004</u>	<u>250,000</u>	<u>(130,004)</u>
Total Other Financing Sources (Uses)	380,004	380,004	250,000	(130,004)
Net Change in Fund Balance	-	-	182,409	182,409
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>252,648</u>	<u>252,648</u>	<u>252,648</u>	<u>-</u>
AT END OF YEAR	<u>\$ 252,648</u>	<u>\$ 252,648</u>	<u>\$ 435,057</u>	<u>\$ 182,409</u>

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A  
GAAP BASIS – DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property Taxes	\$ 371,498	\$ 371,498	\$ 468,927	\$ 97,429
Contributions	<u>64,618</u>	<u>64,618</u>	<u>100,000</u>	<u>35,382</u>
Total Revenues	<u>436,116</u>	<u>436,116</u>	<u>568,927</u>	<u>132,811</u>
<u>EXPENDITURES</u>				
Administration	162	162	500	(338)
Debt Service				
Principal	307,651	307,651	404,907	(97,256)
Interest	128,303	128,303	127,620	683
Bond Issuance Costs	<u>-</u>	<u>-</u>	<u>154,679</u>	<u>(154,679)</u>
Total Expenditures	<u>436,116</u>	<u>436,116</u>	<u>687,706</u>	<u>(251,590)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(118,779)</u>	<u>(118,779)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Bonds	-	-	5,705,000	(5,705,000)
Premium on Bonds	-	-	528,653	(528,653)
Payment to Escrow Agent	<u>-</u>	<u>-</u>	<u>(6,078,974)</u>	<u>6,078,974</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>154,679</u>	<u>154,679</u>
Net Change in Fund Balance	-	-	35,900	35,900
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>388,753</u>	<u>388,753</u>	<u>388,753</u>	<u>-</u>
AT END OF YEAR	<u>\$ 388,753</u>	<u>\$ 388,753</u>	<u>\$ 424,653</u>	<u>\$ 35,900</u>



CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A  
GAAP BASIS – STREET MAINTENANCE TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Sales and Other Taxes	\$ 337,000	\$ 337,000	\$ 386,799	\$ 49,799
Miscellaneous	<u>104,501</u>	<u>104,501</u>	<u>-</u>	<u>(104,501)</u>
Total Revenues	441,501	441,501	386,799	(54,702)
<u>EXPENDITURES</u>				
Streets Department	<u>441,501</u>	<u>441,501</u>	<u>142,974</u>	<u>298,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>243,825</u>	<u>(243,825)</u>
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>558,205</u>	<u>558,205</u>	<u>558,205</u>	<u>-</u>
AT END OF YEAR	<u>\$ 558,205</u>	<u>\$ 558,205</u>	<u>\$ 802,030</u>	<u>\$ 243,825</u>

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A  
GAAP BASIS – HOTEL/MOTEL OCCUPANCY TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Sales and Other Taxes	\$ 300,000	\$ 300,000	\$ 283,227	\$ (16,773)
Miscellaneous	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
Total Revenues	300,000	420,000	283,227	(136,773)
<u>EXPENDITURES</u>				
Administration	<u>-</u>	<u>240,202</u>	<u>319,177</u>	<u>(78,975)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>300,000</u>	<u>179,798</u>	<u>(35,950)</u>	<u>215,748</u>
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>526,738</u>	<u>526,738</u>	<u>526,738</u>	<u>-</u>
AT END OF YEAR	<u>\$ 826,738</u>	<u>\$ 706,536</u>	<u>\$ 490,788</u>	<u>\$ (215,748)</u>

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS – LAST 10 YEARS\*

	<u>DECEMBER 31,</u> <u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 211,816
Interest (on the Total Pension Liability)	395,168
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	(206,580)
Change of assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(407,263)</u>
Net Change in Total Pension Liability	(6,859)
Total Pension Liability - Beginning	<u>5,742,980</u>
Total Pension Liability - Ending (a)	<u><u>\$ 5,736,121</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 236,798
Contributions - Employee	108,046
Net Investment Income	249,219
Benefit Payments, Including Refunds of Employee Contributions	(407,263)
Administrative Expense	(2,602)
Other	<u>(213)</u>
Net Change in Plan Fiduciary Net Position	183,985
Plan Fiduciary Net Position - Beginning	<u>4,355,839</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,539,824</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 1,196,297</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.14%
Covered Employee Payroll	\$ 2,160,922
Net Pension Liability as a Percentage of Total Covered Employee Payroll	55.36%

\*GASB 68 requires 10 years of data to be provided in this schedule. This is the first year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	September 30,	
	2014	2015
Actuarially Determined Contributions	\$ 234,998	\$ 263,987
Contributions in Relation to the Actuarially Determined Contributions	234,998	263,987
Contribution deficiency (excess)	-	-
Covered Employee Payroll	\$ 2,140,404	\$ 2,416,901
Contributions as a Percentage of Covered Employee Payroll	10.98%	10.92%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
10/1/2013	\$ -	\$ 244,865	\$ 244,865	0.00%	\$ 1,785,123	13.72%
10/1/2014	\$ -	\$ 279,411	\$ 279,411	0.00%	\$ 2,140,404	13.05%

CITY OF FLORESVILLE, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2015

NOTE 1: BUDGETARY INFORMATION

The budget for all funds are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

NOTE 2: TMRS REQUIRED SCHEDULES

**Valuation Date:**

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	25 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	3.00%
Salary Increases	3.5% to 12.00% Including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FLORESVILLE, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,352	\$ 29,367	\$ 4,301	\$ 102,027
Other Receivables, net	-	-	-	4,349
Due from Other Funds	-	-	41,552	-
	-	-	41,552	-
TOTAL ASSETS	\$ 1,352	\$ 29,367	\$ 45,853	\$ 106,376
<u>LIABILITIES</u>				
Accounts Payable	\$ 506	\$ 2,088	-	-
Total Liabilities	506	2,088	-	-
<u>FUND BALANCES</u>				
Restricted Capital Projects	-	-	-	-
Restricted for Special Revenue	846	27,279	45,853	106,376
Total Fund Balance	846	27,279	45,853	106,376
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,352	\$ 29,367	\$ 45,853	\$ 106,376



FUNDS					
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	TOTAL SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUND	TOTAL NONMAJOR FUNDS
\$ 3,406	\$ 13,420	\$ 3,094	\$ 156,967	\$ 156,794	\$ 313,761
-	-	-	4,349	-	4,349
-	-	-	41,552	-	41,552
<u>\$ 3,406</u>	<u>\$ 13,420</u>	<u>\$ 3,094</u>	<u>\$ 202,868</u>	<u>\$ 156,794</u>	<u>\$ 359,662</u>
<u>\$ 6,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,394</u>	<u>\$ -</u>	<u>\$ 9,394</u>
<u>6,800</u>	<u>-</u>	<u>-</u>	<u>9,394</u>	<u>-</u>	<u>9,394</u>
-	-	-	-	156,794	156,794
<u>(3,394)</u>	<u>13,420</u>	<u>3,094</u>	<u>193,474</u>	<u>-</u>	<u>193,474</u>
<u>(3,394)</u>	<u>13,420</u>	<u>3,094</u>	<u>193,474</u>	<u>156,794</u>	<u>350,268</u>
<u>\$ 3,406</u>	<u>\$ 13,420</u>	<u>\$ 3,094</u>	<u>\$ 202,868</u>	<u>\$ 156,794</u>	<u>\$ 359,662</u>

CITY OF FLORESVILLE, TEXAS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>REVENUES</u>				
Fines, Fees and Forfeitures	\$ 3	\$ -	\$ 45,852	\$ 30,474
Interest Earned	-	11	1	-
Total Revenues	3	11	45,853	30,474
<u>EXPENDITURES</u>				
Current				
Administration	-	-	-	-
Public Safety	506	1,049	-	-
Total Expenditures	506	1,049	-	-
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(503)	(1,038)	45,853	30,474
Net Change in Fund Balances	(503)	(1,038)	45,853	30,474
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	1,349	28,317	-	75,902
FUND BALANCES AT END OF YEAR	\$ 846	\$ 27,279	\$ 45,853	\$ 106,376

FUNDS					
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	TOTAL SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUND	TOTAL NONMAJOR FUNDS
\$ 1,218	\$ 913	\$ 1,543	\$ 80,003	\$ -	\$ 80,003
<u>3</u>	<u>3</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>18</u>
<u>1,221</u>	<u>916</u>	<u>1,543</u>	<u>80,021</u>	<u>-</u>	<u>80,021</u>
-	-	-	-	-	-
<u>9,727</u>	<u>-</u>	<u>-</u>	<u>11,282</u>	<u>-</u>	<u>11,282</u>
<u>9,727</u>	<u>-</u>	<u>-</u>	<u>11,282</u>	<u>-</u>	<u>11,282</u>
<u>(8,506)</u>	<u>916</u>	<u>1,543</u>	<u>68,739</u>	<u>-</u>	<u>68,739</u>
(8,506)	916	1,543	68,739	-	68,739
<u>5,112</u>	<u>12,504</u>	<u>1,551</u>	<u>124,735</u>	<u>156,794</u>	<u>281,529</u>
<u>\$ (3,394)</u>	<u>\$ 13,420</u>	<u>\$ 3,094</u>	<u>\$ 193,474</u>	<u>\$ 156,794</u>	<u>\$ 350,268</u>

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COMPLIANCE SECTION

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

To the City Council  
City of Floresville, Texas  
1120 D Street  
Floresville, Texas 78114

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented governmental activities component units, each major fund and the aggregate remaining fund information of the City of Floresville, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of Floresville Electric Light and Power Systems (FELPS), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies referenced as 2015-1, 2015-2, and 2015-3.

### **Compliance and Other Matters**

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

### **City of Floresville, Texas' Response to Findings**

The City of Floresville, Texas response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Certified Public Accountants  
San Antonio, Texas

June 23, 2016



CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Auditors' Results:

1 Financial statements:

Type of report on financial statements	Unmodified
Internal Control over financial reporting:	
One or more material weaknesses identified?	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

B. Financial Statement Findings:

Current Year Findings:

Significant Deficiencies in Internal Controls:

**2015-1 Municipal Court:**

*Criteria:* The Municipal Court's Server is not linked to the City's general ledger and cash receipts module. This was also a finding in the prior year.

*Condition/Cause:* Municipal Court information is housed on a separate server from the City's financial and informational server.

*Recommendation:* We recommend that the Municipal Court information be on the same server as the City's to accurately and timely reflect transactions occurring within that department.

*Response:* The server is in place and costs are budgeted to transfer the municipal court module to the Finance server. The Municipal Court server will be added to the accounting software server in the Fiscal Year 2016-2017.

**2015-2 Pooled Cash Bank Reconciliation:**

*Criteria:* The City's pooled bank reconciliations should be performed on a monthly basis to ensure that cash is fairly stated throughout the year and to ensure that cash receipts and cash disbursements are free of misstatements and that errors are timely detected and corrected. Part of the reconciliation process involves establishing proper cut-off of financial transactions at the end of each month. A basic and important internal control element is the review of the reconciliations by someone other than the preparer and the accountant who recorded the transactions in the general ledger.

*Condition/Cause:* The pooled bank reconciliations were not accurately prepared on a monthly basis during the current year.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

*Recommendation:* We recommend that the pooled bank reconciliations be timely prepared, if possible, by an accountant other than the general ledger accountant. The pooled bank reconciliations and resulting adjustments should be reviewed.

*Response:* Bank reconciliations were assigned to a new hire in the Finance department. The timing issue is due to a lack of personnel in the Finance department. Internal controls are hard to comply with when personnel is not available. Currently, the comptroller is doing the bank reconciliations until additional personnel becomes available.

**Finding 2015-3 – Account Reconciliation/Review**

*Criteria:* The general ledger must be timely and accurately maintained, reviewed and reconciled on a monthly basis to provide management with reports that are useful for monitoring operations and to assist in decision making.

*Condition/Cause:* The general ledger was not reconciled nor reviewed monthly during the current year. The City accounting staff was limited during the current year and this appears to have caused the monthly reconciliations not to be timely performed.

*Recommendation:* We recommend that the City reconcile the accounts within the general ledger to ensure that the accounting function of the City is adequate to meet its financial reporting needs.

*Response:* The former Finance Director was assigned these duties as part of her job description. Consequently, the City made the decision to reassign the employee to a different position. Action taken will ensure that account reconciliation will be done on a timely manner after the current Finance Director completes proper training over those accounts and the reconciliation process.

Status of Prior Year Findings:

**2014-1 Municipal Court:**

*Criteria:* The Municipal Court's Server is not linked to the City's general ledger and cash receipts module. This was also a finding in the prior year.

*Condition/Cause:* Municipal Court information is housed on a separate server from the City's financial and informational server.

*Recommendation:* We recommend that the Municipal Court information be on the same server as the City's to accurately and timely reflect transactions occurring within that department.

*Status:* The Court's server is not linked to the City's general ledger and cash receipts module. This remains a finding, see finding 2015-1.