

# CITY OF FLORESVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2016

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ANNUAL FINANCIAL REPORT  
of the  
CITY OF FLORESVILLE, TEXAS  
YEAR ENDED SEPTEMBER 30, 2016

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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## C O N T E N T S

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	14
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS	16
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	18
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
PROPRIETARY FUNDS:	
STATEMENT OF NET POSITION	20
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	21
STATEMENT OF CASH FLOWS	22
NOTES TO THE FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL ON A GAAP BASIS – GENERAL FUND	49
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL ON A GAAP BASIS – STREET MAINTENANCE TAX FUND	50

## C O N T E N T S

	<u>PAGE NUMBER</u>
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – LAST 10 YEARS	51
SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS	52
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN	53
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	54
OTHER SUPPLEMENTARY INFORMATION:	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	56
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	58
COMPLIANCE SECTION:	
INDEPENDENT AUDITOR’S 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	63
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON THE INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	69
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	76
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	78
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79

INDEPENDENT AUDITOR'S 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 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, 2016, 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, 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10, the budgetary comparison information, TMRS pension information, and schedule of funding progress for retiree health plan, on pages 49-54 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 and the schedule of expenditures of federal awards 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 July 27, 2017, 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. That 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

July 27, 2017

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CITY OF FLORESVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016

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, 2016. We recommend and encourage readers to consider the information presented here in conjunction with the Independent Auditor's 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 \$736,570 decrease in net position was primarily due to two factors. The City increased expenses for street maintenance projects and police payroll cost increased during the year.
- Included in total net position are the following components:
  - \$108,093 net investment in capital assets.
  - \$1,059,100 that is restricted for use.
  - (\$743,136) that is unrestricted.

Business-Type Activities:

- The Proprietary net position increased by \$82,111 for a balance of \$4,361,033.
- Included in total net position are the following components:
  - \$3,303,533 net investment in capital assets.
  - \$1,057,500 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 Economic Development Corporation (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 16 through 23.

- 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.

#### 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 25 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 \$654,459 from \$5,577,716 to \$4,923,257. 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 \$314,364 at September 30, 2016.

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

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
<b><u>ASSETS</u></b>						
Current Assets	\$4,796,917	\$2,940,132	\$1,933,830	\$1,477,702	\$ 6,730,747	\$ 4,417,834
Noncurrent Assets	1,085,243	1,153,443	-	-	1,085,243	1,153,443
Capital Assets	<u>7,502,630</u>	<u>7,696,137</u>	<u>4,216,033</u>	<u>3,363,073</u>	<u>11,718,663</u>	<u>11,059,210</u>
Total Assets	<u>13,384,790</u>	<u>11,789,712</u>	<u>6,149,863</u>	<u>4,840,775</u>	<u>19,534,653</u>	<u>16,630,487</u>
<u>Deferred Outflows of Resources</u>	<u>354,944</u>	<u>171,595</u>	<u>152,085</u>	<u>63,441</u>	<u>507,029</u>	<u>235,036</u>
<b><u>LIABILITIES</u></b>						
Current Liabilities	990,275	825,412	392,377	148,174	1,382,652	973,586
Long-Term Liabilities	<u>12,179,886</u>	<u>9,726,952</u>	<u>1,547,085</u>	<u>436,396</u>	<u>13,726,971</u>	<u>10,163,348</u>
Total Liabilities	<u>13,170,161</u>	<u>10,552,364</u>	<u>1,939,462</u>	<u>584,570</u>	<u>15,109,623</u>	<u>11,136,934</u>
<u>Deferred Inflows of Resources</u>	<u>7,349</u>	<u>110,149</u>	<u>1,453</u>	<u>40,724</u>	<u>8,802</u>	<u>150,873</u>
<b><u>NET POSITION</u></b>						
Net Investment in Capital Assets	138,167	(72,388)	3,303,533	3,363,073	3,441,700	3,290,685
Restricted	1,167,193	1,910,945	-	-	1,167,193	1,910,945
Unrestricted	<u>(743,136)</u>	<u>(539,763)</u>	<u>1,057,500</u>	<u>915,849</u>	<u>314,364</u>	<u>376,086</u>
TOTAL NET POSITION	<u>\$ 562,224</u>	<u>\$1,298,794</u>	<u>\$4,361,033</u>	<u>\$4,278,922</u>	<u>\$ 4,923,257</u>	<u>\$ 5,577,716</u>

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	9/30/2016	9/30/2015	9/30/2016	9/30/2015	9/30/2016	9/30/2015
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 674,774	\$ 588,144	\$ 3,596,799	\$ 3,453,967	\$ 4,271,573	\$ 4,042,111
Operating Grants and Contributions	132,420	187,144	-	-	132,420	187,144
Capital Contribution	-	565,760	-	-	-	565,760
General Revenues						
Property Tax	974,952	948,762	-	-	974,952	948,762
Sales Tax	2,053,209	2,242,884	-	-	2,053,209	2,242,884
Hotel/Motel Tax	165,735	283,227	-	-	165,735	283,227
Franchise Tax	601,655	509,366	-	-	601,655	509,366
Unrestricted Investment Earnings	961	26	380	10	1,341	36
Other Income	86,777	17,322	-	-	86,777	17,322
Total Revenues	<u>4,690,483</u>	<u>5,342,635</u>	<u>3,597,179</u>	<u>3,453,977</u>	<u>8,287,662</u>	<u>8,796,612</u>
<b>EXPENSES</b>						
General Government	1,126,583	1,588,834	-	-	1,126,583	1,588,834
Judicial	181,363	184,939	-	-	181,363	184,939
Police	1,677,858	1,330,695	-	-	1,677,858	1,330,695
Fire Protection	64,339	72,597	-	-	64,339	72,597
Highways and Streets	1,187,010	467,342	-	-	1,187,010	467,342
Mayor and Council	57,061	48,632	-	-	57,061	48,632
Parks and Recreation	462,802	371,448	-	-	462,802	371,448
Service Department	198,550	191,272	-	-	198,550	191,272
Pool	113,092	103,182	-	-	113,092	103,182
Development Department	271,700	-	-	-	271,700	-
Bond Interest	336,695	298,464	-	-	336,695	298,464
Water	-	-	1,294,230	2,132,119	1,294,230	2,132,119
Sewer	-	-	1,068,149	-	1,068,149	-
Refuse	-	-	892,036	841,306	892,036	841,306
Cemetery	-	-	10,653	4,640	10,653	4,640
Total Expenses	<u>5,677,053</u>	<u>4,657,405</u>	<u>3,265,068</u>	<u>2,978,065</u>	<u>8,942,121</u>	<u>7,635,470</u>
Increase (Decrease) in Net Position before Transfers	(986,570)	685,230	332,111	475,912	(654,459)	1,161,142
<b>TRANSFERS</b>	250,000	250,000	(250,000)	(250,000)	-	-
<b>SPECIAL ITEM</b>						
Loss on Debt Restructuring	-	(6,066,741)	-	-	-	(6,066,741)
Change in Net Position	(736,570)	(5,131,511)	82,111	225,912	(654,459)	(4,905,599)
<b>NET POSITION AT BEGINNING OF YEAR</b>	1,298,794	7,292,708	4,278,922	4,520,359	5,577,716	11,813,067
Restatement of Net Position	-	(862,403)	-	(467,349)	-	(1,329,752)
<b>NET POSITION AT BEGINNING OF YEAR - RESTATED</b>	<u>1,298,794</u>	<u>6,430,305</u>	<u>4,278,922</u>	<u>4,053,010</u>	<u>5,577,716</u>	<u>10,483,315</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 562,224</u>	<u>\$ 1,298,794</u>	<u>\$ 4,361,033</u>	<u>\$ 4,278,922</u>	<u>\$ 4,923,257</u>	<u>\$ 5,577,716</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 \$4,326,955.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

At the end of fiscal year ended 2016, the City had \$11,718,663, 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 35 through 36).

### Debt:

During the fiscal year, the City issued Tax Notes, Series 2015 and Tax Notes, Series 2016 in the amounts of \$1,250,000 and \$2,505,000 respectively. At year-end, the City had \$12,258,409 in bonds and \$52,475 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 36 through 37).

## 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 2017 budget and tax rates. The local area has experienced significant increases in activities related to oil field development over the past 5 years but that activity has slowed down considerably in the prior two 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 2017.

Amounts available for appropriation in the general fund budget are \$4,193,882, an increase of \$7,921 or 0.2% over the final 2016 budget of \$4,185,961. In order to accomplish funding of the 2017 budget, the 2017 tax rate was set at \$0.196800/\$100 for general operations and \$0.165700/\$100 for debt service, for a total of \$0.362500/\$100.

The general fund balance decreased to \$222,183 at September 30, 2016, leading to an even more urgent need for the Council and Staff to properly implement the Insolvency Turnaround Plan. Some of the key components included are additional monitoring of current budgets, implementing a zero based budgeting for 2016/2017, 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.

## **BASIC FINANCIAL STATEMENTS**

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,204,605	\$ 1,408,758	\$ 5,613,363
Receivables - Net of Allowances for Uncollectibles:			
Property Taxes	199,788	-	199,788
Other	62,348	460,327	522,675
Due from Other Governments	311,001	64,745	375,746
Inventories	-	-	-
Prepaid Items	19,175	-	19,175
Land	719,179	58,155	777,334
Construction in Process	-	984,392	984,392
Buildings	5,217,880	-	5,217,880
Property, Plant and Equipment	686,848	3,173,486	3,860,334
Infrastructure	878,723	-	878,723
Note Receivable Center for Housing	-	-	-
Note Receivable F & W	-	-	-
Note Receivable Floresville EDC	1,085,243	-	1,085,243
Total Assets	13,384,790	6,149,863	19,534,653
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Deferred Outflows	354,944	152,085	507,029
 <u>LIABILITIES</u>			
Accounts Payable	34,742	355,787	390,529
Accrued Liabilities	166,848	34,667	201,515
Due to Other Governments	44,466	-	44,466
Unearned Revenue	24,118	600	24,718
Accrued Interest Payable	28,292	1,323	29,615
Noncurrent Liabilities			
Long-term Debt: Due Within One Year	691,809	171,882	863,691
Long-Term Debt: Due in More than One Year	10,910,182	792,382	11,702,564
Advance from USDA	-	64,745	64,745
Net Pension Liability	1,087,002	462,328	1,549,330
OPEB Liability	182,702	55,748	238,450
Total Liabilities	13,170,161	1,939,462	15,109,623
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Related Deferred Inflows	7,349	1,453	8,802
 <u>NET POSITION</u>			
Net Investment in Capital Assets	138,167	3,303,533	3,441,700
Restricted Net Position			
Debt Service	108,093	-	108,093
Special Revenue Funds	1,059,100	-	1,059,100
Unrestricted Net Position	(743,136)	1,057,500	314,364
Total Net Position	\$ 562,224	\$ 4,361,033	\$ 4,923,257

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

COMPONENT UNITS		
GOVERNMENTAL TYPE		BUSINESS TYPE
FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2016 F.E.L.P.S.
\$ 345,216	\$ 1,242,051	\$ 24,769,401
-	-	-
-	229	1,894,007
61,629	123,258	-
3,941	217,088	1,691,613
-	-	210,451
920,020	186,078	-
-	-	-
775	-	-
-	-	50,325,967
-	1,292,782	-
-	82,278	-
-	59,537	-
-	-	-
<u>1,331,581</u>	<u>3,203,301</u>	<u>78,891,439</u>
<u>16,111</u>	<u>14,141</u>	<u>816,252</u>
-	1,369	2,121,343
107,033	6,821	313,811
-	-	-
-	-	921,950
5,636	-	382,970
17,000	72,600	1,625,000
867,278	1,019,675	26,228,739
-	-	-
44,023	43,205	12,734,068
-	-	-
<u>1,040,970</u>	<u>1,143,670</u>	<u>44,327,881</u>
-	396	-
920,795	1,478,860	22,472,228
-	-	1,677,706
-	-	-
<u>(614,073)</u>	<u>594,516</u>	<u>11,229,876</u>
<u>\$ 306,722</u>	<u>\$ 2,073,376</u>	<u>\$ 35,379,810</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, 2016

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	\$ (1,126,583)	\$ 112,229	\$ 129,970	\$ -
Municipal Court	(181,363)	199,157	-	-
Police Department	(1,677,858)	38,361	2,450	-
Fire Department	(64,339)	-	-	-
Streets Department	(1,187,010)	-	-	-
Parks and Recreation	(462,802)	32,794	-	-
Service Department	(198,550)	-	-	-
Pool Department	(113,092)	52,917	-	-
Mayor and Council	(57,061)	-	-	-
Development Department	(271,700)	239,316	-	-
Interest on Long Term Debt	(336,695)	-	-	-
Total Governmental Activities	<u>(5,677,053)</u>	<u>674,774</u>	<u>132,420</u>	<u>-</u>
<u>Business-Type Activities</u>				
Water	(1,294,230)	1,414,351	-	-
Sewer	(1,068,149)	1,088,024	-	-
Refuse	(892,036)	1,079,648	-	-
Cemetery	(10,653)	14,776	-	-
Total Business-Type Activities	<u>(3,265,068)</u>	<u>3,596,799</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (8,942,121)</u>	<u>\$ 4,271,573</u>	<u>\$ 132,420</u>	<u>\$ -</u>
<b>Component Units</b>				
Floresville 4A Corp.	\$ (1,662,345)	\$ 180,328	\$ -	\$ -
Floresville E.D.C.	(326,272)	-	-	-
F.E.L.P.S.	(36,144,860)	39,829,266	-	417,161
TOTAL COMPONENT UNITS	<u>\$ (38,133,477)</u>	<u>\$ 40,009,594</u>	<u>\$ -</u>	<u>\$ 417,161</u>

General Revenues

Taxes:

Property Taxes

Sales and Other Taxes

Franchise Fees

Interest

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

NET POSITION AT BEGINNING OF YEAR

Cash Distributions to Cities

NET POSITION AT BEGINNING OF YEAR

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 TYPE
			FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2016 F.E.L.P.S.
\$ (884,384)	\$ -	\$ (884,384)			
17,794	-	17,794			
(1,637,047)	-	(1,637,047)			
(64,339)	-	(64,339)			
(1,187,010)	-	(1,187,010)			
(430,008)	-	(430,008)			
(198,550)	-	(198,550)			
(60,175)	-	(60,175)			
(57,061)	-	(57,061)			
(32,384)	-	(32,384)			
<u>(336,695)</u>	<u>-</u>	<u>(336,695)</u>			
<u>(4,869,859)</u>	<u>-</u>	<u>(4,869,859)</u>			
-	120,121	120,121			
-	19,875	19,875			
-	187,612	187,612			
<u>-</u>	<u>4,123</u>	<u>4,123</u>			
<u>-</u>	<u>331,731</u>	<u>331,731</u>			
<u>(4,869,859)</u>	<u>331,731</u>	<u>(4,538,128)</u>			
			\$ (1,482,017)	\$ -	\$ -
			-	(326,272)	-
			<u>-</u>	<u>-</u>	<u>4,101,567</u>
			<u>(1,482,017)</u>	<u>(326,272)</u>	<u>4,101,567</u>
974,952	-	974,952	-	-	-
2,053,209	-	2,053,209	375,067	750,133	-
767,390	-	767,390	-	-	-
961	380	1,341	-	309	57,287
86,777	-	86,777	31,765	7,612	-
<u>250,000</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,133,289</u>	<u>(249,620)</u>	<u>3,883,669</u>	<u>406,832</u>	<u>758,054</u>	<u>57,287</u>
(736,570)	82,111	(654,459)	(1,075,185)	431,782	4,158,854
1,298,794	4,278,922	5,577,716	1,381,907	1,641,594	32,318,475
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,097,519)</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>31,220,956</u>
<u>\$ 562,224</u>	<u>\$ 4,361,033</u>	<u>\$ 4,923,257</u>	<u>\$ 306,722</u>	<u>\$ 2,073,376</u>	<u>\$ 35,379,810</u>

**CITY OF FLORESVILLE, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	GENERAL FUND	DEBT SERVICE FUND	STREET MAINTENANCE TAX	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 133,726	\$ 111,794	\$ 401,769	\$ 2,940,173	\$ 617,143	\$ 4,204,605
Receivables - Net of Allowances for Uncollectibles						
Property Taxes	124,261	75,527	-	-	-	199,788
Other	58,534	-	-	-	3,814	62,348
Due from Other Funds	22,720	-	-	-	4,741	27,461
Due from Other Governments	249,372	-	61,629	-	-	311,001
Prepaid Expenditures	-	-	-	8,505	10,670	19,175
<b>TOTAL ASSETS</b>	<b><u>\$ 588,613</u></b>	<b><u>\$ 187,321</u></b>	<b><u>\$ 463,398</u></b>	<b><u>\$ 2,948,678</u></b>	<b><u>\$ 636,368</u></b>	<b><u>\$ 4,824,378</u></b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 15,637	\$ 3,701	\$ 12,904	\$ -	\$ 2,500	\$ 34,742
Accrued Liabilities	166,848	-	-	-	-	166,848
Unearned Revenue	15,218	-	-	-	8,900	24,118
Due to Other Governments	44,466	-	-	-	-	44,466
Due to Others Funds	-	-	-	-	27,461	27,461
<b>Total Liabilities</b>	<b><u>242,169</u></b>	<b><u>3,701</u></b>	<b><u>12,904</u></b>	<b><u>-</u></b>	<b><u>38,861</u></b>	<b><u>297,635</u></b>
<b>Deferred Inflows of Resources</b>						
Unearned Revenues - Taxes	<u>124,261</u>	<u>75,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,788</u>
<b>FUND BALANCES</b>						
Restricted						
Debt Service	-	108,093	-	-	-	108,093
Special Revenue	-	-	450,494	-	608,606	1,059,100
Capital Projects	-	-	-	2,948,678	-	2,948,678
Unassigned	<u>222,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,099)</u>	<u>211,084</u>
<b>Total Fund Balances</b>	<b><u>222,183</u></b>	<b><u>108,093</u></b>	<b><u>450,494</u></b>	<b><u>2,948,678</u></b>	<b><u>597,507</u></b>	<b><u>4,326,955</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 588,613</u></b>	<b><u>\$ 187,321</u></b>	<b><u>\$ 463,398</u></b>	<b><u>\$ 2,948,678</u></b>	<b><u>\$ 636,368</u></b>	<b><u>\$ 4,824,378</u></b>

CITY OF FLORESVILLE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

Total fund balance-total governmental funds	\$ 4,326,955
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,502,630
Property taxes receivable unavailable to pay current expenses are deferred in the funds.	199,788
Other long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,085,243
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(203,607)
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)	(182,702)
Net Pension Liability, Deferred Outflows and Inflows (TMRS)	(739,407)
Bonds Payable and Other Long-term Debt	(11,398,384)
Accrued interest payable on bonded debt is not reported in the funds.	<u>(28,292)</u>
Total net position of governmental activities	<u>\$ 562,224</u>

**CITY OF FLORESVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	GENERAL FUND	DEBT SERVICE FUND	STREET MAINTENANCE TAX	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Property Taxes	\$ 527,116	\$ 458,172	\$ -	\$ -	\$ -	\$ 985,288
Sales and Other Taxes	1,512,407	-	375,067	-	165,735	2,053,209
Franchise Fees	767,390	-	-	-	-	767,390
Licenses, Permits, Fees and Fines	607,838	-	-	-	67,834	675,672
Miscellaneous	91,496	-	-	-	-	91,496
Grants and Contributions	199,620	-	-	-	-	199,620
Interest	8	-	-	925	28	961
Total Revenues	<u>3,705,875</u>	<u>458,172</u>	<u>375,067</u>	<u>925</u>	<u>233,597</u>	<u>4,773,636</u>
<b>EXPENDITURES</b>						
Administration	871,369	-	-	2,041	188,101	1,061,511
Municipal Court	170,825	-	-	-	-	170,825
Police Department	1,539,253	-	-	-	6,248	1,545,501
Fire Department	60,000	-	-	-	-	60,000
Streets Department	386,017	-	726,603	-	-	1,112,620
Parks and Recreation	347,843	-	-	-	95,482	443,325
Service Department	186,718	-	-	-	-	186,718
Pool Department	106,196	-	-	-	-	106,196
Mayor and Council	53,285	-	-	-	-	53,285
Development Department	255,548	-	-	-	-	255,548
Capital Outlay	159,291	-	-	-	16,889	176,180
Debt Service						
Principal	42,634	445,000	-	-	-	487,634
Interest	3,402	329,732	-	-	-	333,134
Bond Issuance Costs	-	-	-	49,500	-	49,500
Total Expenditures	<u>4,182,381</u>	<u>774,732</u>	<u>726,603</u>	<u>51,541</u>	<u>306,720</u>	<u>6,041,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(476,506)</u>	<u>(316,560)</u>	<u>(351,536)</u>	<u>(50,616)</u>	<u>(73,123)</u>	<u>(1,268,341)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Bonds	-	-	-	2,842,500	-	2,842,500
Transfers In	263,632	-	-	-	-	263,632
Transfers Out	-	-	-	-	(13,632)	(13,632)
Total Other Financing Sources (Uses)	<u>263,632</u>	<u>-</u>	<u>-</u>	<u>2,842,500</u>	<u>(13,632)</u>	<u>3,092,500</u>
Net Change in Fund Balances	(212,874)	(316,560)	(351,536)	2,791,884	(86,755)	1,824,159
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>435,057</u>	<u>424,653</u>	<u>802,030</u>	<u>156,794</u>	<u>684,262</u>	<u>2,502,796</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 222,183</u>	<u>\$ 108,093</u>	<u>\$ 450,494</u>	<u>\$ 2,948,678</u>	<u>\$ 597,507</u>	<u>\$ 4,326,955</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, 2016

Net change in fund balances - governmental funds	\$ 1,824,159
Amounts reported in governmental activities and in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures (\$176,180). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$361,459). As well as the disposals of assets with remaining costs of (\$8,228). This is the amount by which capital outlays exceeded depreciation expense in the current period.	(193,507)
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.	(10,336)
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.	445,000
Amortization of bond premium is not recorded in the governmental funds, but is a reduction of the bond liability on the statement of net position.	35,244
Note proceeds provide current financial resources to governmental funds, but is an increase of the liability and does not affect the statement of activities.	
Note Proceeds	(2,842,500)
Capital lease is recognized as other financing uses in the funds and reported as a liability in the statement of net position.	42,634
Amounts for long-term other post employment benefits (OPEB) is not recorded in the funds, but is recognized in the statement of activities. This is the change in OPEB liability in 2016.	29,224
Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as an expense in the statement of activities (accrued interest).	9,995
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 2016.	(55,340)
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.	47,057
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.	(68,200)
Change in net position of governmental activities	<u>\$ (736,570)</u>

**CITY OF FLORESVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2016**

	BUSINESS- TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTALS
	MAJOR FUNDS			NONMAJOR FUND	
	WATERWORKS	SEWER	REFUSE	CEMETERY	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 1,140,669	\$ 82,943	\$ 109,025	\$ 76,121	\$ 1,408,758
Accounts Receivable, Net of Allowance for Uncollectibles	159,467	155,454	145,406	-	460,327
Due from USDA	64,745	-	-	-	64,745
Total Current Assets	<u>1,364,881</u>	<u>238,397</u>	<u>254,431</u>	<u>76,121</u>	<u>1,933,830</u>
<b>CAPITAL ASSETS</b>					
Land, System, Buildings, and Equipment	6,178,958	4,361,473	-	52,926	10,593,357
Construction in Progress	391,313	593,079	-	-	984,392
Totals	6,570,271	4,954,552	-	52,926	11,577,749
Less: Accumulated Depreciation	(4,357,569)	(2,973,632)	-	(30,515)	(7,361,716)
Net Capital Assets	<u>2,212,702</u>	<u>1,980,920</u>	<u>-</u>	<u>22,411</u>	<u>4,216,033</u>
<b>TOTAL ASSETS</b>	<u>3,577,583</u>	<u>2,219,317</u>	<u>254,431</u>	<u>98,532</u>	<u>6,149,863</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related Deferred Outflows	104,125	47,960	-	-	152,085
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	245,469	34,536	75,782	-	355,787
Accrued Liabilities	19,620	8,281	6,766	-	34,667
Accrued Interest Payable	435	888	-	-	1,323
Customer Deposits	600	-	-	-	600
Current Maturities of Long-Term Debt	48,000	98,000	-	-	146,000
Total Current Liabilities	<u>314,124</u>	<u>141,705</u>	<u>82,548</u>	<u>-</u>	<u>538,377</u>
<b>NONCURRENT LIABILITIES</b>					
Accrued Compensated Absences	49,328	2,436	-	-	51,764
OPEB Liability	36,043	19,705	-	-	55,748
Net Pension Liability	315,909	146,419	-	-	462,328
Advance from USDA Bond	64,745	-	-	-	64,745
Long-Term Debt	252,000	514,500	-	-	766,500
Total NonCurrent Liabilities	<u>718,025</u>	<u>683,060</u>	<u>-</u>	<u>-</u>	<u>1,401,085</u>
<b>TOTAL LIABILITIES</b>	<u>1,032,149</u>	<u>824,765</u>	<u>82,548</u>	<u>-</u>	<u>1,939,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related Deferred Inflows	-	1,453	-	-	1,453
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,912,702	1,368,420	-	22,411	3,303,533
Unrestricted	736,857	72,639	171,883	76,121	1,057,500
Total Net Position	<u>\$ 2,649,559</u>	<u>\$ 1,441,059</u>	<u>\$ 171,883</u>	<u>\$ 98,532</u>	<u>\$ 4,361,033</u>

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

**CITY OF FLORESVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTALS
	MAJOR FUNDS			NONMAJOR FUND	
	WATERWORKS	SEWER	REFUSE	CEMETERY	
<b><u>OPERATING REVENUES</u></b>					
Water Sales, Penalties, and Connection Fees	\$ 1,414,351	\$ -	\$ -	\$ -	\$ 1,414,351
Sewer Sales, Penalties, and Connection Fees	-	1,088,024	-	-	1,088,024
Refuse Collection Fees and Penalties	-	-	1,079,648	-	1,079,648
Sale of Cemetery Lots	-	-	-	14,776	14,776
Total Operating Revenues	<u>1,414,351</u>	<u>1,088,024</u>	<u>1,079,648</u>	<u>14,776</u>	<u>3,596,799</u>
<b><u>OPERATING EXPENSES</u></b>					
Personnel Costs	755,060	300,931	-	-	1,055,991
General and Administrative Expenses	176,634	90,345	-	-	266,979
Repairs and Maintenance	79,461	230,175	-	-	309,636
Utilities	118,427	63,425	-	-	181,852
Disposal Fees and Sampling Costs	8,436	219,822	874,530	-	1,102,788
Chemicals	11,286	31,994	-	-	43,280
Liability Insurance	12,218	2,150	-	-	14,368
Bad Debt Expense	27,947	28,689	17,506	-	74,142
Other Operating Expenses	-	2,599	-	6,718	9,317
Depreciation	100,237	76,283	-	3,935	180,455
Bond Issuance Cost	-	12,500	-	-	12,500
Total Operating Expenses	<u>1,289,706</u>	<u>1,058,913</u>	<u>892,036</u>	<u>10,653</u>	<u>3,251,308</u>
Operating Income	<u>124,645</u>	<u>29,111</u>	<u>187,612</u>	<u>4,123</u>	<u>345,491</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>					
Interest Income	321	59	-	-	380
Interest and Fiscal Charges	(4,524)	(9,236)	-	-	(13,760)
Total Nonoperating Revenues (Expenses)	<u>(4,203)</u>	<u>(9,177)</u>	<u>-</u>	<u>-</u>	<u>(13,380)</u>
Net Income before Transfers	120,442	19,934	187,612	4,123	332,111
Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(250,000)</u>
Change in Net Position	95,442	(5,066)	(12,388)	4,123	82,111
<b><u>NET POSITION AT BEGINNING OF YEAR</u></b>	<u>4,000,242</u>	<u>-</u>	<u>184,271</u>	<u>94,409</u>	<u>4,278,922</u>
RESTATEMENT OF NET POSITION	<u>(1,446,125)</u>	<u>1,446,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</u></b>	<u>2,554,117</u>	<u>1,446,125</u>	<u>184,271</u>	<u>94,409</u>	<u>4,278,922</u>
NET POSITION AT END OF YEAR	<u>\$ 2,649,559</u>	<u>\$ 1,441,059</u>	<u>\$ 171,883</u>	<u>\$ 98,532</u>	<u>\$ 4,361,033</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>TOTALS</u>
	<u>MAJOR FUNDS</u>			<u>NONMAJOR FUND</u>	
	<u>WATERWORKS</u>	<u>SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Payments Received from Customers	\$ 1,512,191	\$ 1,077,982	\$ 1,099,817	\$ 14,776	\$ 3,704,766
Payments to Suppliers for Goods and Services	(203,687)	(647,163)	(886,625)	(6,719)	(1,744,194)
Payments for Salaries and Benefits	(750,081)	(334,008)	-	-	(1,084,089)
Net Cash Provided by Operating Activities	<u>558,423</u>	<u>96,811</u>	<u>213,192</u>	<u>8,057</u>	<u>876,483</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Net Debt Issued for Purchase of Capital Assets	295,911	604,152	-	-	900,063
Acquisition of Capital Assets	(435,099)	(593,079)	-	-	(1,028,178)
Net Cash Provided by Capital and Related Financing Activities	<u>(139,188)</u>	<u>11,073</u>	<u>-</u>	<u>-</u>	<u>(128,115)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers to Other Funds	(25,000)	(25,000)	(200,000)	-	(250,000)
Net Cash Used in Noncapital Financing Activities	<u>(25,000)</u>	<u>(25,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(250,000)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Received	321	59	-	-	380
Net Increase (Decrease) in Cash and Cash Equivalents	394,556	82,943	13,192	8,057	498,748
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>746,113</u>	<u>-</u>	<u>95,833</u>	<u>68,064</u>	<u>910,010</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 1,140,669</u>	<u>\$ 82,943</u>	<u>\$ 109,025</u>	<u>\$ 76,121</u>	<u>\$ 1,408,758</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUSINESS- TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	
	WATERWORKS	SEWER	REFUSE	CEMETERY	TOTALS
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>					
<u>CASH PROVIDED BY (USED IN) OPERATING</u>					
<u>ACTIVITIES</u>					
Operating Income (loss)	\$ 124,645	\$ 29,111	\$ 187,612	\$ 4,123	\$ 345,491
Depreciation	95,000	76,283	-	3,934	175,217
(Increase) Decrease in Assets					
Accounts Receivable	97,240	(10,042)	20,169	-	107,367
Increase (Decrease) in Liabilities					
Accounts Payable	235,959	34,536	5,608	-	276,103
Accrued Expenses	(18,691)	(18,598)	(197)	-	(37,486)
Customer Deposits	600	-	-	-	600
Net Pension Liability	31,885	(10,958)	-	-	20,927
OPEB Liability	(8,215)	(3,521)	-	-	(11,736)
	<u>\$ 558,423</u>	<u>\$ 96,811</u>	<u>\$ 213,192</u>	<u>\$ 8,057</u>	<u>\$ 876,483</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES					

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CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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 the 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, 2016

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 and proprietary funds. 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 inflows of resources.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

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, 2015, and became due October 1, 2015 have been assessed to finance the budget of the fiscal year beginning October 1, 2015 and, accordingly, have been reflected as deferred inflows of resources and taxes receivable in the fund financial statement at September 30, 2016.

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 for maintenance of City streets.

The capital projects fund is used to account for the proceeds of the Tax Note debt issued to pay for future city hall improvements and transfers to the general fund for related capital projects expenditures.

Nonmajor funds include special revenue funds which are used to separately account for funds related to grants, contracts, and ordinances.

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 fund, sewer 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, 2016

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.

D. Cash and Cash Equivalents

For purposes of reporting cash and cash equivalents, the City considers 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, using the market approach and level I inputs.

F. Accounts Receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2015 and past due after January 31, 2016. 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.

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 court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.

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, 2016, of \$51,764 and \$203,607 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

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences (Continued)

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 \$8,802 (\$7,3849 in governmental activities and \$1,453 in business-type activities). Deferred outflows of resources in the Statement of Net Position related to pensions totaled \$507,029 (\$354,944 in governmental activities and \$152,085 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 \$199,788.

Additional information concerning deferred outflows of resources and deferred inflows of resources related to pensions can be found in Note 10, Employee'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, 2016

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.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City’s council or its designated official has provided otherwise in its commitments or assignment actions.

N. Net Position

Net position represents 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.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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, 2016, the carrying amount of the primary government's (the City) cash on hand was \$1,893, deposits in the bank were \$2,678,349 and the book balance was \$2,605,449. The City's cash was fully collateralized.

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, 2016

NOTE 2—CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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	\$ 1,893	n/a	n/a
Bank deposits	2,605,449	n/a	n/a
Texas CLASS	<u>3,006,021</u>	n/a	AAAm
Total Cash and Cash Equivalents	<u>\$ 5,613,363</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	\$ 235,045	\$ (35,257)	\$ 199,788
Other governments	375,746	-	375,746
Accounts	62,969	(621)	62,348
Utility	534,759	(74,432)	460,327

B. Notes Receivable

Notes receivable consist of amounts due from the Floresville EDC in the amount of \$1,085,243. 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, 2016

NOTE 3—RECEIVABLES (CONTINUED)

B. Notes Receivable (Continued)

Future payments under the Interlocal Agreements are as follows:

	Interlocal Agreement
	Floresville EDC
2017	72,600
2018	77,000
2019	79,200
2020	83,600
2021	88,000
2022-2026	506,000
2027-2028	178,843
	\$ 1,085,243

The interest rate 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 inflow of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts collected within 60 days of the end of the fiscal year are 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, 2016, the Municipal Court Technology Fund owed the General Fund \$22,720 and the State Forfeiture Fund owed the Federal Forfeiture Fund \$4,741.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

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:		
State Forfeiture Fund	\$ 13,632	Capital Lease Payment
Waterworks Fund	25,000	Program supplement
Sewer Fund	25,000	Program supplement
Refuse Fund	<u>200,000</u>	Program supplement
TOTALS	<u>\$ 263,632</u>	

NOTE 6—CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2016, was as follows:

<u>Governmental activities:</u>	<u>BALANCE 9/30/2015</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE 9/30/2016</u>
Assets Not Being Depreciated				
Land	<u>\$ 719,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,179</u>
Assets Being Depreciated				
Buildings	6,653,948	-	-	6,653,948
Property, plant and equipment	4,418,276	176,180	(9,680)	4,584,776
Infrastructure	<u>2,199,952</u>	<u>-</u>	<u>-</u>	<u>2,199,952</u>
Total Assets Being Depreciated	13,272,176	176,180	(9,680)	13,438,676
Less Accumulated Depreciation				
Buildings	(1,252,409)	(183,659)	-	(1,436,068)
Property, plant and equipment	(3,775,272)	(124,108)	1,452	(3,897,928)
Infrastructure	<u>(1,267,537)</u>	<u>(53,692)</u>	<u>-</u>	<u>(1,321,229)</u>
Total Assets Being Depreciated	(6,295,218)	(361,459)	1,452	(6,655,225)
Assets Being Depreciated, Net	<u>6,976,958</u>	<u>(185,279)</u>	<u>(8,228)</u>	<u>6,783,451</u>
Total Capital Assets, Net	<u>\$ 7,696,137</u>	<u>\$ (185,279)</u>	<u>\$ (8,228)</u>	<u>\$ 7,502,630</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 76,808
Municipal Court	12,360
Police Department	111,827
Fire Department	4,341
Streets Department	80,505
Parks and Recreation	32,077
Service Department	7,684
Pool Department	13,510
Community Development	18,491
Mayor and Council	<u>3,856</u>
	<u>\$ 361,459</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 6—CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended September 30, 2016, was as follows:

<u>Business-type activities:</u>	<u>BALANCE</u> <u>9/30/2015</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2016</u>
Assets Not Being Depreciated:				
Land	\$ 58,155	\$ -	\$ -	\$ 58,155
Construction in Progress	<u>-</u>	<u>984,392</u>	<u>-</u>	<u>984,392</u>
	58,155	984,392	-	1,042,547
Assets Being Depreciated				
Property, plant and equipment	7,024,373	49,022	(181,694)	6,891,701
Infrastructure	<u>3,643,501</u>	<u>-</u>	<u>-</u>	<u>3,643,501</u>
Total Assets Being Depreciated	10,667,874	49,022	(181,694)	10,535,202
Less Accumulated Depreciation				
Property, plant and equipment	(3,719,455)	(180,454)	181,694	(3,718,215)
Infrastructure	<u>(3,643,501)</u>	<u>-</u>	<u>-</u>	<u>(3,643,501)</u>
Total Assets Being Depreciated	(7,362,956)	(180,454)	181,694	(7,361,716)
Total Assets Being Depreciated, Net	<u>3,304,918</u>	<u>(131,432)</u>	<u>-</u>	<u>3,173,486</u>
Total Capital Assets, Net	<u>\$ 3,363,073</u>	<u>\$ 852,960</u>	<u>\$ -</u>	<u>\$ 4,216,033</u>

NOTE 7—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2016 were comprised of the following:

<u>Governmental activities:</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Additions</u>	<u>Refunded or</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2016</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligation-Series 2008					
Original amount of \$8,500,000					
Interest Rate 3.91%	\$ 2,750,000	\$ -	\$ (155,000)	\$ 2,595,000	\$ 165,000
General Obligation Refunding Bonds,					
Series 2015, Interest Rate 2.0% to 4.0%	5,705,000	-	(290,000)	5,415,000	310,000
Premium on GO Refunding Bonds,					
Series 2015	528,653	-	(35,244)	493,409	35,243
Tax Note Series 2015, Original amount					
of \$1,250,000, Interest Rate 1.74%	-	337,500	-	337,500	54,000
Tax Note Series 2016, Original amount					
of \$2,505,000, Interest Rate 1.61%	<u>-</u>	<u>2,505,000</u>	<u>-</u>	<u>2,505,000</u>	<u>-</u>
Subtotal Bonds and Notes	8,983,653	2,842,500	(480,244)	11,345,909	564,243
Capital Lease-Bank of America	4,640	-	(4,640)	-	-
Capital Lease-Government Capital	<u>90,469</u>	<u>-</u>	<u>(37,994)</u>	<u>52,475</u>	<u>25,762</u>
Subtotal Capital Leases	95,109	-	(42,634)	52,475	25,762
	9,078,762	2,842,500	(522,878)	11,398,384	590,005
Compensated Absences	<u>148,267</u>	<u>196,797</u>	<u>(141,457)</u>	<u>203,607</u>	<u>101,804</u>
Total	<u>\$ 9,227,029</u>	<u>\$ 3,039,297</u>	<u>\$ (664,335)</u>	<u>\$ 11,601,991</u>	<u>\$ 691,809</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 7—LONG-TERM DEBT (CONTINUED)

Business - type activities:

	Balance 9/30/2015	Additions	Payments	Balance 9/30/2016	Due Within One Year
Tax Note Series 2015, Original amount of \$1,250,000, Interest Rate 1.74%	\$ -	\$ 912,500	\$ -	\$ 912,500	\$ 146,000
Compensated Absences	55,425	40,944	(44,605)	51,764	25,882
Total	<u>\$ 55,425</u>	<u>\$ 953,444</u>	<u>\$ (44,605)</u>	<u>\$ 964,264</u>	<u>\$ 171,882</u>

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

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2016, including interest payments, are as follows:

Year ended September 30,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 529,000	\$ 340,284	\$ 869,284	\$ 146,000	\$ 15,878	\$ 161,878
2018	949,810	327,477	1,277,287	148,190	13,337	161,527
2019	975,620	303,641	1,279,261	150,380	10,759	161,139
2020	1,001,700	279,134	1,280,834	153,300	8,142	161,442
2021	1,027,780	253,837	1,281,617	156,220	5,475	161,695
2022-2026	3,998,590	865,867	4,864,457	158,410	2,756	161,166
2027-2030	2,370,000	218,871	2,588,871	-	-	-
Totals	<u>\$ 10,852,500</u>	<u>\$ 2,589,111</u>	<u>\$ 13,441,611</u>	<u>\$ 912,500</u>	<u>\$ 56,347</u>	<u>\$ 968,847</u>

Capital lease:

Commitments under capitalized lease agreements for vehicles and equipment provide for minimum future lease payments as of September 30, 2016 as follows:

Year ended September 30,	
2017	\$ 27,764
2018	27,764
Total minimum rentals	55,528
Less amount representing interest	(3,053)
Net present value	<u>\$ 52,475</u>

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

NOTE 8— FUND BALANCE DEFICIT AND MANAGEMENT PLANS

The Municipal Court Technology Fund had a fund deficit at the end of the year as a result of unfunded equipment purchases. The City will transfer money from the general fund to eliminate the deficit in the subsequent fiscal year.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 9— NET POSITION DEFICIT AND MANAGEMENT PLANS

Due to the decrease in contributions and increase in expenditures in 2016, the City's governmental activities experienced a total decrease in net position of \$736,570. This decrease has caused the ending unassigned net position at September 30, 2016 to decrease by \$203,373 from (\$539,763) to (\$743,136). The City believes future funding and balanced budgeting will bring the unassigned net position out of its deficit.

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM

**Plan Description** - The City participates as one of 866 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, 2015 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	31
Active employees	58

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

**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.

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 10.91% and 9.98% for calendar years 2015 and 2016 respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$307,466, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%, 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 blue collar adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. In addition, smaller city methodologies were used by lower termination rates, with a maximum multiplier of 115% for employers. 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 Combined Healthy Mortality Table with Blue Collar Adjustments are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investment from 7.00% to 6.75%. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	100.0%	

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. 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, 2014	\$ 5,736,121	\$ 4,539,823	\$ 1,196,298
Changes for the year:			
Service Cost	282,963	-	282,963
Interest	401,700	-	401,700
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	133,224	-	133,224
Changes of Assumptions	34,740	-	34,740
Contributions - Employer	-	281,096	(281,096)
Contributions - Employee	-	128,854	(128,854)
Net Investment Income	-	6,699	(6,699)
Benefit Payments, Including Refunds of Employee Contributions	(278,060)	(278,060)	-
Administrative Expense	-	(4,080)	4,080
Other Changes	-	(202)	202
Net Changes	<u>574,567</u>	<u>134,307</u>	<u>440,260</u>
Balance at December 31, 2015	<u>\$ 6,310,688</u>	<u>\$ 4,674,130</u>	<u>\$ 1,636,558</u>

**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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,587,674	\$ 1,636,558	\$ 863,227

**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).

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

For the year ended September 30, 2016, the City recognized pension expense of \$425,696.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ -	\$ (4,068)
Changes in Actuarial Assumptions	26,120	-
Difference Between Projected and Actual Investment Earnings	282,284	-
Contributions Subsequent to the Measurement Date	<u>223,746</u>	<u>-</u>
Total	<u>\$ 532,150</u>	<u>\$ (4,068)</u>

The City reported \$223,746 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ 63,861
2018	63,861
2019	113,146
2020	63,468
2021	-
Thereafter	-
Total	<u>\$ 304,336</u>

NOTE 11—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.

CITY OF FLORESVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2016

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**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, 2016 is as follows:

Annual Required Contribution (ARC)	\$ 34,673
Interest on OPEB Obligation	560
Adjustment to ARC	<u>(43,068)</u>
OPEB Cost (Expense) End of Year	(7,835)
Net Estimated Employer Contributions	<u>(33,124)</u>
Increase in Net OPEB Obligation	(40,959)
Net OPEB Obligation, as of Beginning of Year	<u>279,411</u>
NET OPEB OBLIGATION, AS OF END OF YEAR	<u>\$ 238,452</u>

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, 2016 and the preceding two fiscal years 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
9/30/2016	34,673	33,348	96.18%	15,308

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of October 1, 2015 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
10/1/2015	-	238,452	238,452	0.00%	2,636,120	9.05%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$238,452 at October 1, 2015. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 9.05%.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**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.

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	10/1/2015
Actuarial Cost Method	Projected Unit Cost Method
Amortization Method	Level Dollar
Amortization Period	30 Years; Level Period
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.0%
Payroll Growth Rate	N/A
Mortality Rate	RP-2014 Total Table with Projection MP-2015
Medical Trend Rate	Initial rate of 8.0% declining to 5.0% in FY2022

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.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 12—FUND BALANCE CATEGORIES

	General Fund	Debt Service	Street Maintenance Tax	Capital Projects	Other Non-major Governmental Funds	Total
Restricted for:						
Debt Service	\$ -	\$ 108,093	\$ -	\$ -	\$ -	\$ 108,093
Capital Projects	-	-	-	2,948,678	-	2,948,678
Street Maintenance Tax	-	-	450,494	-	-	450,494
Hotel/Motel Occupancy Tax	-	-	-	-	468,422	468,422
State Forfeiture	-	-	-	-	36,239	36,239
Federal Forfeiture	-	-	-	-	45,855	45,855
LEOSE Funds	-	-	-	-	3,146	3,146
Parks and Recreation	-	-	-	-	41,013	41,013
Municipal Court Building Security	-	-	-	-	13,424	13,424
Child Safety	-	-	-	-	507	507
	-	108,093	450,494	2,948,678	608,606	4,115,871
Unassigned	222,183	-	-	-	(11,099)	211,084
	<u>\$ 222,183</u>	<u>\$ 108,093</u>	<u>\$ 450,494</u>	<u>\$ 2,948,678</u>	<u>\$ 597,507</u>	<u>\$ 4,326,955</u>

NOTE 13—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 14—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 15—USDA RECEIVABLE AND LOAN

The City was in the process of obtaining a United States Department of Agriculture (USDA) loan/grant for improvements to their sewer and water system. As of September 30, 2016 the grant agreements had not been finalized but there were expenses incurred and paid in the 2016 fiscal year that will be covered from the USDA loan/grant proceeds. ABIP has accrued a receivable and a liability for expenses that are reasonably expected to be reimbursed from the USDA loan proceeds.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2016

NOTE 16—RESTATEMENT OF NET POSITION

The beginning net position of the Waterworks Fund and Sewer Fund have been restated to record a prior period adjustment to split the Waterworks and Sewer fund into two separate funds. A reconciliation is as follows:

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>WATERWORKS</u>	<u>SEWER</u>
Net Position - Beginning of Year	\$ 4,000,242	\$ -
Fund Split	<u>(1,446,125)</u>	<u>1,446,125</u>
Net Position - Restated	<u>\$ 2,554,117</u>	<u>\$1,446,125</u>

NOTE 17—SUBSEQUENT EVENTS

The USDA sewer loan was finalized on November 17, 2016 with the initial loan amount of \$656,000 paid to the City for previously incurred costs as well as bond costs.

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, 2016

	<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	\$ 675,500	\$ 678,754	\$ 527,116	\$ (151,638)
Sales and Other Taxes	1,565,000	1,565,000	1,512,407	(52,593)
Franchise Fees	778,568	796,631	607,838	(188,793)
Licenses, Permits, Fees and Fines	462,500	654,758	767,390	112,632
Miscellaneous	27,000	122,213	91,496	(30,717)
Contributions	7,000	11,154	199,620	188,466
Interest	-	-	8	8
Total Revenues	<u>3,515,568</u>	<u>3,828,510</u>	<u>3,705,875</u>	<u>(122,635)</u>
<u>EXPENDITURES</u>				
Administration	1,007,347	1,012,543	871,369	141,174
Municipal Court	180,772	180,776	170,825	9,951
Police Department	1,341,343	1,443,084	1,684,975	(241,891)
Fire Department	80,000	80,000	60,000	20,000
Streets Department	394,947	400,147	386,017	14,130
Parks and Recreation	389,131	389,131	361,412	27,719
Service Department	240,110	240,110	186,718	53,392
Pool Department	82,528	82,528	106,196	(23,668)
Mayor and Council	83,700	83,700	53,285	30,415
Development Department	<u>274,942</u>	<u>273,942</u>	<u>255,548</u>	<u>18,394</u>
Debt Service				
Principal	-	-	42,634	(42,634)
Interest	-	-	<u>3,402</u>	<u>(3,402)</u>
Total Expenditures	<u>4,074,820</u>	<u>4,185,961</u>	<u>4,182,381</u>	<u>3,580</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(559,252)	(357,451)	(476,506)	(119,055)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>263,657</u>	<u>368,898</u>	<u>263,632</u>	<u>(105,266)</u>
Total Other Financing Sources (Uses)	263,657	368,898	263,632	(105,266)
Net Change in Fund Balance	(295,595)	11,447	(212,874)	(224,321)
<u>FUND BALANCES – BEGINNING OF YEAR</u>				
	<u>435,057</u>	<u>435,057</u>	<u>435,057</u>	<u>-</u>
AT END OF YEAR	<u>\$ 139,462</u>	<u>\$ 446,504</u>	<u>\$ 222,183</u>	<u>\$ (224,321)</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, 2016

	<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	\$ 817,000	\$ 372,676	\$ 375,067	\$ 2,391
Total Revenues	817,000	372,676	375,067	2,391
<u>EXPENDITURES</u>				
Streets Department	817,000	817,000	726,603	90,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(444,324)	(351,536)	92,788
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>802,030</u>	<u>802,030</u>	<u>802,030</u>	<u>-</u>
AT END OF YEAR	<u>\$ 802,030</u>	<u>\$ 357,706</u>	<u>\$ 450,494</u>	<u>\$ 92,788</u>

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

	<u>2014</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 211,816	\$ 282,963
Interest (on the Total Pension Liability)	395,168	401,700
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(206,580)	133,224
Change of assumptions	-	34,740
Benefit Payments, Including Refunds of Employee Contributions	<u>(407,263)</u>	<u>(278,060)</u>
Net Change in Total Pension Liability	(6,859)	574,567
Total Pension Liability - Beginning	<u>5,742,980</u>	<u>5,736,121</u>
Total Pension Liability - Ending (a)	<u>\$ 5,736,121</u>	<u>\$ 6,310,688</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 236,798	\$ 281,096
Contributions - Employee	108,046	128,854
Net Investment Income	249,219	6,699
Benefit Payments, Including Refunds of Employee Contributions	(407,263)	(278,060)
Administrative Expense	(2,602)	(4,080)
Other	<u>(213)</u>	<u>(202)</u>
Net Change in Plan Fiduciary Net Position	183,985	134,307
Plan Fiduciary Net Position - Beginning	<u>4,355,839</u>	<u>4,539,823</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,539,824</u>	<u>\$ 4,674,130</u>
Net Pension Liability (a) - (b)	<u>\$ 1,196,297</u>	<u>\$ 1,636,558</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.14%	74.07%
Covered Employee Payroll	\$ 2,160,922	\$ 2,577,073
Net Pension Liability as a Percentage of Total Covered Employee Payroll	55.36%	63.50%

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

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

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contributions	\$ 263,987	\$ 307,466
Contributions in Relation to the Actuarially Determined Contributions	<u>263,987</u>	<u>307,466</u>
Contribution Deficiency (excess)	-	-
Covered Employee Payroll	\$ 2,160,922	\$ 2,577,073
Contributions as a Percentage of Covered Employee Payroll	12.22%	11.93%

\*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the second 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, 2016

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%
10/1/2015	-	238,452	238,452	0.00%	2,636,120	9.05%

CITY OF FLORESVILLE, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2016

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	30 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FLORESVILLE, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 507	\$ 49,880	\$ 41,114	\$ 39,699
Other Receivables, net	-	-	-	3,814
Due from Other Funds	-	-	4,741	-
Prepaid Expenditures	-	-	-	-
TOTAL ASSETS	\$ 507	\$ 49,880	\$ 45,855	\$ 43,513
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,500
Due to Other Funds	-	4,741	-	-
Deferred Revenue	-	8,900	-	-
Total Liabilities	-	13,641	-	2,500
<u>FUND BALANCES</u>				
Restricted for Special Revenue	507	36,239	45,855	41,013
Unassigned Deficit Fund Balance	-	-	-	-
Total Fund Balance	507	36,239	45,855	41,013
TOTAL LIABILITIES AND FUND BALANCES	\$ 507	\$ 49,880	\$ 45,855	\$ 43,513

FUNDS				
<u>MUNICIPAL COURT TECHNOLOGY</u>	<u>MUNICIPAL COURT BUILDING SECURITY</u>	<u>LEOSE FUNDS</u>	<u>HOTEL/ MOTEL OCCUPANCY TAX</u>	<u>TOTAL NONMAJOR FUNDS</u>
\$ 11,621	\$ 13,424	\$ 3,146	\$ 457,752	\$ 617,143
-	-	-	-	3,814
-	-	-	-	4,741
-	-	-	10,670	10,670
<u>\$ 11,621</u>	<u>\$ 13,424</u>	<u>\$ 3,146</u>	<u>\$ 468,422</u>	<u>\$ 636,368</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,500
22,720	-	-	-	27,461
-	-	-	-	8,900
<u>22,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,861</u>
-	13,424	3,146	468,422	608,606
<u>(11,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,099)</u>
<u>(11,099)</u>	<u>13,424</u>	<u>3,146</u>	<u>468,422</u>	<u>597,507</u>
<u>\$ 11,621</u>	<u>\$ 13,424</u>	<u>\$ 3,146</u>	<u>\$ 468,422</u>	<u>\$ 636,368</u>

CITY OF FLORESVILLE, TEXAS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>REVENUES</u>				
Sales and Other Taxes	\$ -	\$ -	\$ -	\$ -
Fines, Fees and Forfeitures	-	36,193	-	30,119
Interest Earned	-	18	2	-
Total Revenues	-	36,211	2	30,119
<u>EXPENDITURES</u>				
Current				
Administration	-	-	-	-
Park and Recreation	-	-	-	95,482
Public Safety	339	4,439	-	-
Capital Outlay	-	9,180	-	-
Total Expenditures	339	13,619	-	95,482
Excess (Deficiency) of Revenues Over (Under) Expenditures	(339)	22,592	2	(65,363)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	-	(13,632)	-	-
Net Change in Fund Balances	(339)	8,960	2	(65,363)
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	846	27,279	45,853	106,376
FUND BALANCES AT END OF YEAR	\$ 507	\$ 36,239	\$ 45,855	\$ 41,013

FUNDS				
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	HOTEL/ MOTEL OCCUPANCY TAX	TOTAL NONMAJOR FUNDS
\$ -	\$ -	\$ -	\$ 165,735	\$ 165,735
-	-	1,522	-	67,834
<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>28</u>
<u>4</u>	<u>4</u>	<u>1,522</u>	<u>165,735</u>	<u>233,597</u>
-	-	-	188,101	188,101
-	-	-	-	95,482
-	-	1,470	-	6,248
<u>7,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,889</u>
<u>7,709</u>	<u>-</u>	<u>1,470</u>	<u>188,101</u>	<u>306,720</u>
<u>(7,705)</u>	<u>4</u>	<u>52</u>	<u>(22,366)</u>	<u>(73,123)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,632)</u>
(7,705)	4	52	(22,366)	(86,755)
<u>(3,394)</u>	<u>13,420</u>	<u>3,094</u>	<u>490,788</u>	<u>684,262</u>
<u>\$ (11,099)</u>	<u>\$ 13,424</u>	<u>\$ 3,146</u>	<u>\$ 468,422</u>	<u>\$ 597,507</u>

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S 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 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 27, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See Findings 2016-II-002; 2016-III-003.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See Findings 2016-II-001; 2016-II-004; 2016-II-005

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-II-006 and 2016-II-007.

### **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 questioned costs. 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.

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

July 27, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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

### **Report on Compliance for the Major Federal Program**

We have audited City of Floresville, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Floresville's major federal programs for the year ended September 30, 2016. The City of Floresville's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Floresville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Floresville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on the Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items Finding 2016-III-01 through Finding 2016-III-03. Our opinion on the major federal program is not modified with respect to these matters.

The City of Floresville's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Floresville's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-III-002 that we consider to be material weaknesses. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item Finding 2016-III-001 and 2016-III-003 to be a significant deficiency.

The City of Floresville's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Floresville's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

ABIP, PC

Certified Public Accountants  
San Antonio, Texas  
July 27, 2017

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CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

<b>FINANCIAL STATEMENTS</b>		
Type of auditor’s report issued: <u>Unmodified</u>		
Internal control over financial reporting: • Material weakness (es) identified?	<u>X</u> Yes	<u>   </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u>X</u> Yes	<u>   </u> None Reported
Noncompliance material to financial statements noted?	<u>   </u> Yes	<u>X</u> No

<b>FEDERAL AWARDS</b>		
Internal control over financial reporting: • Material weakness (es) identified?	<u>X</u> Yes	<u>   </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u>X</u> Yes	<u>   </u> None Reported
Type of auditor’s report issued on compliance for Major programs: <u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u>X</u> Yes	<u>   </u> No

<b>IDENTIFICATION OF MAJOR PROGRAMS</b>		
CFDA Number(s)	Name of Federal Program or Cluster	
10.760	Water and Waste Disposal Systems for Rural Communities	
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	<u>   </u> Yes	<u>X</u> No

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section II: Financial Statement Findings

**2016-II-001 - Municipal Court:  
Type of Finding – Significant Deficiency**

*Criteria:* The Municipal Court's Server is not linked to the City's general ledger and cash receipts module and it did not have adequate backups of the data. 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. During the year the server crashed and the Municipal Court lost all of its data which had to be reentered into the system. Due to having to reenter data the City was not able to make their payments to the State during the year and had to accrue a liability to the State of Texas for \$44,466.

*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 Municipal Court module was transferred to the City's server in the current fiscal year.

**2016-II-002 - Pooled Cash Bank Reconciliation:  
Type of Finding – Material Weakness**

*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. This was also a finding in the prior year.

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

*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. We also recommend that the Incode accounting system be reviewed and optimized in order to properly track cash between the fund level and pooled cash module.

*Response:* The finance department is attempting to budget for an additional finance employee to perform bank reconciliations as well as other account reconciliations. 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.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section II: Financial Statement Findings (Continued)

**Finding 2016-II-003 – Accounts Reconciliation/Review**  
**Type of Finding – Material Weakness**

*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. This was also a finding in the prior year.

*Condition/Cause:* The general ledger was not reconciled nor reviewed monthly during the current year. Accounts payable was not properly reconciled at year end by the City and had errant amounts within the balances which totaled to \$43,811. Worker's compensation payable and expense were not properly reconciled and had an improper balance at year end which had to be adjusted by \$24,039. Sales tax payable was not properly reconciled and was being coded to two different accounts which led to an adjustment of the true sales tax payable at year-end of \$7,158. Accounts receivable was not properly reconciled and had to be adjusted by \$8,033. Retirement expenses were not properly recorded and reconciled so the City misstated retirement expense by \$34,419. 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 general ledger monthly to ensure that the accounting function of the City is adequate to meet its financial reporting needs.

*Response:* The finance department is attempting to budget for an additional finance employee to perform account reconciliations. 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 account reconciliations until additional personnel becomes available.

**Finding 2016-II-004 – Forfeiture Fund Accounting**  
**Type of Finding – Significant Deficiency**

*Criteria:* The state and federal asset forfeiture accounts 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. Also any cash amounts received must be evaluated for being due to another entity or belonging to the City in order to properly recognize revenue.

*Condition/Cause:* The forfeiture accounts were not properly classifying amounts due to others or revenue.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section II: Financial Statement Findings (Continued)

**Finding 2016-II-004 – Forfeiture Fund Accounting (Continued)**  
**Type of Finding – Significant Deficiency**

*Recommendation:* We recommend that the City receive training on how to properly account for forfeitures received and due to others as well as having the finance department work closer with the police department in order to properly classify funds received as either revenue or due to others.

*Response:* The Comptroller will receive additional training in order to know how to properly account for the forfeiture accounts. The finance department will also receive a breakout of funds received from the police department in order to know whether to classify the funds as revenue or due to others.

**Finding 2016-II-005 – Fiduciary Fund Reconciliation**  
**Type of Finding – Significant Deficiency**

*Criteria:* The fiduciary funds 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:* Per discussion with the City, the Floresville Fire Department, and Floresville Electric Light & Power the fiduciary funds were closed out and the City never cleared the balances out of the fiduciary funds.

*Recommendation:* We recommend that the City reconcile and review the fiduciary funds monthly and promptly close out any fiduciary funds that are no longer in use.

*Response:* The finance department is attempting to budget for an additional finance employee to perform account reconciliations. 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 2016-II-006 – Public Funds Investment Act**  
**Type of Finding – Compliance**

*Criteria:* Governments are required to follow the guidelines outlined in the Public Funds Investment Act of Texas.

*Condition/Cause:* The City did not approve its investment policy during the fiscal year, there were no quarterly investment reports to City Council, and the City did not receive acknowledgement of their investment policy from the financial institution prior to purchasing new investments. These are required provisions of the Public Funds Investment Act.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section II: Financial Statement Findings (Continued)

**Finding 2016-II-006 – Public Funds Investment Act (Continued)**  
**Type of Finding – Compliance**

*Recommendation:* We recommend that the City approve its investment policy annually, the Comptroller present a quarterly investment report to the City Council at the end of each quarter of the fiscal year, and have the City send out and receive acknowledgement of their investment policy prior to purchase of any new investments.

*Response:* The investment policy has already been approved for the current fiscal year and the Comptroller has started giving investment reports at the end of each quarter.

**Finding 2016-II-007 – Debt Service Fund Expenditures**  
**Type of Finding – Compliance**

*Criteria:* The debt service fund should only pay for expenditures that have been taxpayer approved.

*Condition/Cause:* There were capital lease payments that were budgeted for and originally paid out of the debt service fund that were not taxpayers approved debt. These debt service expenditures were reclassified out of the debt service fund into the general fund in order to be in compliance.

*Recommendation:* We recommend that the City review all debt paid out of the debt service fund to ensure that the debt was properly authorized by the City's taxpayers and reclassify any debt payments that were not taxpayer approved.

*Response:* The City will review the expenditures that are paid out of debt service fund and reclassify any debt that is not voter approved. The City will also budget accordingly going forward.

Section III – Federal Award Findings and Questioned Costs

**Finding 2016-III-001 – Duplicate Invoice Payment**  
**Type of Finding – Significant Deficiency**  
**Total Questioned Costs- \$11,298**

*Criteria:* Federal expenditures should be reviewed and monitored closely to ensure that all expenses associated with federal programs are for allowable expenditures.

*Condition/Cause:* Our testing of federal expenditures associated with the USDA Sewer grant detected an invoice for \$11,298 that was paid twice. One of the invoices was paid with a manual check which did not go through the City's financial accounting system's internal controls that could have detected and stopped the duplicate invoice payment.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Federal Award Findings and Questioned Costs (Continued)

**Finding 2016-III-001 – Duplicate Invoice Payment (Continued)**  
**Type of Finding – Significant Deficiency/Compliance**  
**Total Questioned Costs- \$11,298**

*Recommendation:* We recommend that the City reconcile and review all federal expenditures and pay all invoices through the financial accounting system.

*Response:* The finance department will review and reconcile all federal expenditures. Also the City will pay all invoices through the financial accounting system.

**Finding 2016-III-002 – Accounts Payable Reconciliation**  
**Type of Finding – Material Weakness/Compliance**  
**Total Questioned Costs- \$71,334**

*Criteria:* Accounts payable should be reconciled and reviewed every month by the Finance staff.

*Condition/Cause:* Our testing of federal expenditures associated with the USDA Water and Sewer grants identified an invoice that was accrued to both the water and sewer fund through journal entries when it should have only been accrued in the water fund.

*Recommendation:* We recommend that the City reconcile and review the accounts payable monthly. In addition a finance employee other than the Comptroller should reconcile accounts payable and the Comptroller should review the reconciliation and any associated journal entries.

*Response:* An employee other than the Comptroller will perform the accounts payable reconciliation monthly and the Comptroller will review the reconciliation and any associated journal entries.

**Finding 2016-III-003 – Federal Expense Invoice Support**  
**Finding – Significant Deficiency/Compliance**  
**Total Questioned Costs- \$27,338**

*Criteria:* All federal expenditures should have adequate invoice support on hand.

*Condition/Cause:* Our testing of federal expenditures associated with the USDA Water and Sewer grants identified an expenditure that was recorded on the general ledger but could not be substantiated by the City.

*Recommendation:* We recommend that the City keep all federal expenditure support on hand and filed in an easy to retrieve manner.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section III – Federal Award Findings and Questioned Costs (Continued)

**Finding 2016-III-003 – Federal Expense Invoice Support (Continued)**  
**Finding – Significant Deficiency/Compliance**  
**Total Questioned Costs- \$27,338**

*Response:* The City recently moved out of City Hall so it could be renovated. All of the City's financial support and backup had to be moved from City Hall into Finance's temporary location which is why there were files lost during the year. The Finance department will ensure that all financial support is kept on hand for all of the City's expenditures.

CITY OF FLORESVILLE, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**2015-001 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 municipal court module was transferred to the Finance server in the current year. Prior to the transfer the server crashed which caused data loss so this remains a finding for the current year, see finding 2016-II-001.

**2015-002 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.

*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.

*Status:* Bank reconciliations still were not accurately prepared on a monthly basis during the year. This remains a finding, see finding 2016-II-002.

**Finding 2015-003 – 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.

CITY OF FLORESVILLE, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Finding 2015-003 – Account Reconciliation/Review (Continued)**

*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.

*Status:* The general ledger was still not timely and accurately, maintained, reviewed, and reconciled on a monthly basis. This remains a finding, see finding 2016-II-003.

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<b><u>U.S. Department of Agriculture</u></b>			
Direct Program:			
Water and Wastewater Disposal System for Rural Communities	10.760		\$ <u>958,455</u>
Total U.S. Department of Agriculture			<u>958,455</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the Texas Department of Public Safety Texas Division of Emergency Management			
Public Assistance Grant, 4245, Severe Storms	97.036	PA-06-TX-4245-PW-00232	<u>72,955</u>
Total Passed through the Texas Department of Public Safety			<u>72,955</u>
Total U.S. Department of Homeland Security			<u>72,955</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,031,410</u>

CITY OF FLORESVILLE, TEXAS  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Floresville, Texas (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.