

CITY OF FLORESVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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ANNUAL FINANCIAL REPORT
of the
CITY OF FLORESVILLE, TEXAS
YEAR ENDED SEPTEMBER 30, 2017

CITY COUNCIL:

MAYOR	CECELIA GONZALEZ-DIPPEL
MAYOR PRO TEM	JACOB SILVA
COUNCIL MEMBER	DAVID JOHNS
COUNCIL MEMBER	GLORIA MORALES CANTU
COUNCIL MEMBER	GERARD JIMENEZ
COUNCIL MEMBER	NICKLAS NISSEN

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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, 2017, 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, 2017 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, the budgetary comparison information, TMRS pension information, and schedule of funding progress for retiree health plan, 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 June 28, 2018, 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

June 28, 2018

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CITY OF FLORESVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017

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, 2017. 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

As a result of the negative financial position of the City's General Fund, the City of Floresville implemented a Zero Base Budget Policy. This Policy was adopted to assist City Officials and Administration achieve three main goals:

- Return the City to financial stability.
- Improve the efficiency and effectiveness of operations.
- Establish "best-in-class" management policies and procedures.

This Policy 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 \$1,523,045 increase in net position was primarily due to two factors. The City received a \$1,430,000 capital contribution from the FEDC during the fiscal year for the park improvements. Property taxes and sales taxes also increased during the fiscal year.
- Included in total net position are the following components:
 - \$1,776,263 net investment in capital assets.
 - \$1,527,430 that is restricted for use.
 - (\$1,218,424) unrestricted.

Business-Type Activities:

- The Proprietary net position increased by \$48,687 for a balance of \$4,842,720.
- Included in total net position are the following components:
 - \$4,003,928 net investment in capital assets.
 - \$94,066 that is restricted.
 - \$744,726 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 14 through 17).

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 18 through 25.

- Governmental funds - The City reports its basic services in governmental funds. These funds use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City - these are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government wide statements but provide more detail and additional information such as cash flows, for proprietary funds.

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 27 through 51.

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 increased by \$2,004,732 from \$4,923,257 to \$6,927,989. 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 (\$473,698) at September 30, 2017.

Table 1
City of Floresville, Texas
Statement of Net Position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
<u>ASSETS</u>						
Current Assets	\$ 4,237,882	\$ 4,796,917	\$ 1,539,565	\$ 1,933,830	\$ 5,777,447	\$ 6,730,747
Noncurrent Assets	1,012,643	1,085,243	-	-	1,012,643	1,085,243
Capital Assets	<u>9,560,102</u>	<u>7,502,630</u>	<u>11,514,428</u>	<u>4,216,033</u>	<u>21,074,530</u>	<u>11,718,663</u>
Total Assets	<u>14,810,627</u>	<u>13,384,790</u>	<u>13,053,993</u>	<u>6,149,863</u>	<u>27,864,620</u>	<u>19,534,653</u>
<u>Deferred Outflows of Resources</u>	<u>431,338</u>	<u>354,944</u>	<u>178,764</u>	<u>152,085</u>	<u>610,102</u>	<u>507,029</u>
<u>LIABILITIES</u>						
Current Liabilities	1,829,807	990,275	265,043	392,377	2,094,850	1,382,652
Long-Term Liabilities	<u>11,288,376</u>	<u>12,179,886</u>	<u>8,112,136</u>	<u>1,547,085</u>	<u>19,400,512</u>	<u>13,726,971</u>
Total Liabilities	<u>13,118,183</u>	<u>13,170,161</u>	<u>8,377,179</u>	<u>1,939,462</u>	<u>21,495,362</u>	<u>15,109,623</u>
<u>Deferred Inflows of Resources</u>	<u>38,513</u>	<u>7,349</u>	<u>12,858</u>	<u>1,453</u>	<u>51,371</u>	<u>8,802</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	1,776,263	138,167	4,003,928	3,303,533	5,780,191	3,441,700
Restricted	1,527,430	1,167,193	94,066	-	1,621,496	1,167,193
Unrestricted	<u>(1,218,424)</u>	<u>(743,136)</u>	<u>744,726</u>	<u>1,057,500</u>	<u>(473,698)</u>	<u>314,364</u>
TOTAL NET POSITION	<u>\$ 2,085,269</u>	<u>\$ 562,224</u>	<u>\$ 4,842,720</u>	<u>\$ 4,361,033</u>	<u>\$ 6,927,989</u>	<u>\$ 4,923,257</u>

Table 2
City of Floresville, Texas
Changes in Net Position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
<u>REVENUES</u>						
Program Revenues						
Charges for Services	\$ 590,070	\$ 674,774	\$ 4,318,431	\$ 3,596,799	\$ 4,908,501	\$ 4,271,573
Operating Grants and Contributions	439,715	132,420	-	-	439,715	132,420
Capital Contribution	1,430,000	-	15,125	-	1,445,125	-
General Revenues						
Property Tax	1,075,504	974,952	-	-	1,075,504	974,952
Sales Tax	2,172,590	2,053,209	-	-	2,172,590	2,053,209
Hotel/Motel Tax	190,316	165,735	-	-	190,316	165,735
Franchise Tax	596,480	601,655	-	-	596,480	601,655
Unrestricted Investment Earnings	30,986	961	442	380	31,428	1,341
Other Income	78,700	86,777	-	-	78,700	86,777
Total Revenues	<u>6,604,361</u>	<u>4,690,483</u>	<u>4,333,998</u>	<u>3,597,179</u>	<u>10,938,359</u>	<u>8,287,662</u>
<u>EXPENSES</u>						
General Government	1,096,193	1,126,583	-	-	1,096,193	1,126,583
Judicial	270,866	181,363	-	-	270,866	181,363
Police	1,931,055	1,677,858	-	-	1,931,055	1,677,858
Fire Protection	67,587	64,339	-	-	67,587	64,339
Highways and Streets	622,916	1,187,010	-	-	622,916	1,187,010
Mayor and Council	85,558	57,061	-	-	85,558	57,061
Parks and Recreation	461,586	462,802	-	-	461,586	462,802
Service Department	234,620	198,550	-	-	234,620	198,550
Pool	134,155	113,092	-	-	134,155	113,092
Development Department	369,445	271,700	-	-	369,445	271,700
Bond Interest	311,335	336,695	-	-	311,335	336,695
Water	-	-	1,395,816	1,294,230	1,395,816	1,294,230
Sewer	-	-	1,002,704	1,068,149	1,002,704	1,068,149
Refuse	-	-	943,159	892,036	943,159	892,036
Cemetery	-	-	6,632	10,653	6,632	10,653
Total Expenses	<u>5,585,316</u>	<u>5,677,053</u>	<u>3,348,311</u>	<u>3,265,068</u>	<u>8,933,627</u>	<u>8,942,121</u>
Increase (Decrease) in Net Position before Transfers	1,019,045	(986,570)	985,687	332,111	2,004,732	(654,459)
<u>TRANSFERS</u>	504,000	250,000	(504,000)	(250,000)	-	-
Change in Net Position	1,523,045	(736,570)	481,687	82,111	2,004,732	(654,459)
<u>NET POSITION AT BEGINNING OF YEAR</u>	562,224	1,298,794	4,361,033	4,278,922	4,923,257	5,577,716
<u>NET POSITION AT END OF YEAR</u>	<u>\$ 2,085,269</u>	<u>\$ 562,224</u>	<u>\$ 4,842,720</u>	<u>\$ 4,361,033</u>	<u>\$ 6,927,989</u>	<u>\$ 4,923,257</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$3,432,090.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal year ended 2017, the City had \$17,798,981, 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 39 through 40).

Debt:

During the fiscal year, the City issued Utility System Revenue Bonds, Series 2016 in the amount of \$7,495,000. At year-end, the City had \$18,617,166 in bonds and \$26,766 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 41 through 43).

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 2018 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 years. The budget was executed in pursuit of 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 2018.

Amounts available for appropriation in the general fund budget are \$4,516,461 a decrease of \$144,806 or 3% over the final 2017 budget of \$4,661,267. In order to accomplish funding of the 2018 budget, the 2018 tax rate was set at \$0.1667/\$100 for general operations and \$0.2764/\$100 for debt service, for a total of \$0.4431/\$100.

The general fund balance decreased to \$(104,235) at September 30, 2017, 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 2017/2018, and developing financial management policies. The plan is to be reviewed semi-annually by Council for progress and to update or set additional priorities. The vision of the Insolvency Turnaround Plan is for staff, on a daily basis, to ensure that the goals of the plan are addressed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,702,332	\$ 397,671	\$ 4,100,003
Receivables - Net of Allowances for Uncollectibles:			
Property Taxes	122,103	604,937	727,040
Other	72,031	1,158	73,189
Due from Other Governments	337,756	-	337,756
Due from(to) Other Funds	(264,313)	264,313	-
Inventories	-	-	-
Prepaid Items	3,660	-	3,660
Capital Assets, Net			
Land	719,179	58,155	777,334
Construction in Process	2,004,898	5,175,310	7,180,208
Buildings, Net	5,048,798	-	5,048,798
Property, Plant and Equipment, Net	963,503	3,003,963	3,967,466
Infrastructure, Net	823,724	-	823,724
Note Receivable Center for Housing	-	-	-
Note Receivable F & W	-	-	-
Note Receivable Floresville EDC	1,012,643	-	1,012,643
Cash and Cash Equivalents - Restricted	-	3,277,000	3,277,000
Other Receivable - Restricted	-	271,486	271,486
Total Assets	<u>14,546,314</u>	<u>13,053,993</u>	<u>27,600,307</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Deferred Outflows	<u>431,338</u>	<u>178,764</u>	<u>610,102</u>
<u>LIABILITIES</u>			
Accounts Payable	60,459	224,123	284,582
Accrued Liabilities	279,042	27,784	306,826
Due to Other Governments	9,569	-	9,569
Unearned Revenue	70,306	1,275	71,581
Accrued Interest Payable	27,290	11,861	39,151
Noncurrent Liabilities			
Long-term Debt: Due Within One Year	1,118,828	189,777	1,308,605
Long-Term Debt: Due in More than One Year	9,903,621	7,387,896	17,291,517
Advance from USDA	-	-	-
Net Pension Liability	1,202,053	478,715	1,680,768
OPEB Liability	182,702	55,748	238,450
Total Liabilities	<u>12,853,870</u>	<u>8,377,179</u>	<u>21,231,049</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Related Deferred Inflows	<u>38,513</u>	<u>12,858</u>	<u>51,371</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,776,263	4,003,928	5,780,191
Restricted Net Position			
Debt Service	110,996	-	110,996
Sewer Project	-	94,066	94,066
Special Revenue Funds	1,416,434	-	1,416,434
Unrestricted Net Position	<u>(1,218,424)</u>	<u>744,726</u>	<u>(473,698)</u>
Total Net Position	<u>\$ 2,085,269</u>	<u>\$ 4,842,720</u>	<u>\$ 6,927,989</u>

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

COMPONENT UNITS		
GOVERNMENTAL TYPE		BUSINESS TYPE
FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2017 F.E.L.P.S.
\$ (201,236)	\$ 1,720,640	\$ 21,416,954
-	-	-
-	-	2,074,707
66,980	133,960	-
3,941	198,397	1,586,537
-	-	239,363
920,020	186,078	214,000
-	-	-
129	-	125,000
-	-	53,106,587
-	1,260,395	-
-	73,476	-
-	35,178	-
-	-	-
-	-	3,897,061
-	-	-
<u>789,834</u>	<u>3,608,124</u>	<u>82,660,209</u>
<u>19,773</u>	<u>15,232</u>	<u>494,151</u>
-	-	3,755,602
20,426	3,295	288,257
-	-	46,572
-	-	940,025
782	-	368,344
-	-	1,655,000
906,687	2,374,287	24,610,269
63,269	46,122	12,896,502
-	-	-
<u>991,164</u>	<u>2,423,704</u>	<u>44,560,571</u>
-	<u>1,690</u>	-
920,149	1,446,473	27,180,318
-	-	2,957,036
-	-	-
-	-	-
<u>(1,101,706)</u>	<u>(248,511)</u>	<u>8,456,435</u>
<u>\$ (181,557)</u>	<u>\$ 1,197,962</u>	<u>\$ 38,593,789</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, 2017

FUNCTIONS AND PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government				
<u>Governmental Activities</u>				
Administration	\$ (1,096,193)	\$ 56,367	\$ 430,564	\$ -
Municipal Court	(270,866)	221,706	-	-
Police Department	(1,931,055)	9,925	9,151	-
Fire Department	(67,587)	-	-	-
Streets Department	(622,916)	-	-	-
Parks and Recreation	(461,586)	33,752	-	1,430,000
Service Department	(234,620)	-	-	-
Pool Department	(134,155)	54,342	-	-
Mayor and Council	(85,558)	-	-	-
Development Department	(369,445)	213,978	-	-
Interest on Long Term Debt	(311,335)	-	-	-
Total Governmental Activities	<u>(5,585,316)</u>	<u>590,070</u>	<u>439,715</u>	<u>1,430,000</u>
<u>Business-Type Activities</u>				
Water	(1,395,816)	1,682,838	-	-
Sewer	(1,002,704)	1,522,322	-	15,125
Refuse	(943,159)	1,100,654	-	-
Cemetery	(6,632)	12,617	-	-
Total Business-Type Activities	<u>(3,348,311)</u>	<u>4,318,431</u>	<u>-</u>	<u>15,125</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (8,933,627)</u>	<u>\$ 4,908,501</u>	<u>\$ 439,715</u>	<u>\$ 1,445,125</u>
Component Units				
Floresville 4A Corp.	\$ (1,039,161)	\$ 126,791	\$ -	\$ -
Floresville E.D.C.	(1,745,657)	-	-	-
F.E.L.P.S.	(10,389,019)	13,180,448	-	542,218
TOTAL COMPONENT UNITS	<u>\$ (13,173,837)</u>	<u>\$ 13,307,239</u>	<u>\$ -</u>	<u>\$ 542,218</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.	12/31/2017 F.E.L.P.S.
\$ (609,262)	\$ -	\$ (609,262)			
(49,160)	-	(49,160)			
(1,911,979)	-	(1,911,979)			
(67,587)	-	(67,587)			
(622,916)	-	(622,916)			
1,002,166	-	1,002,166			
(234,620)	-	(234,620)			
(79,813)	-	(79,813)			
(85,558)	-	(85,558)			
(155,467)	-	(155,467)			
<u>(311,335)</u>	<u>-</u>	<u>(311,335)</u>			
<u>(3,125,531)</u>	<u>-</u>	<u>(3,125,531)</u>			
-	287,022	287,022			
-	534,743	534,743			
-	157,495	157,495			
-	<u>5,985</u>	<u>5,985</u>			
-	<u>985,245</u>	<u>985,245</u>			
<u>(3,125,531)</u>	<u>985,245</u>	<u>(2,140,286)</u>			
			\$ (912,370)	\$ -	\$ -
			-	(1,745,657)	-
			<u>-</u>	<u>-</u>	<u>3,333,647</u>
			<u>(912,370)</u>	<u>(1,745,657)</u>	<u>3,333,647</u>
1,075,504	-	1,075,504	-	-	-
2,172,590	-	2,172,590	394,304	788,608	-
786,796	-	786,796	-	-	-
30,986	442	31,428	-	454	1,034,295
78,700	-	78,700	29,787	81,181	-
<u>504,000</u>	<u>(504,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,648,576</u>	<u>(503,558)</u>	<u>4,145,018</u>	<u>424,091</u>	<u>870,243</u>	<u>1,034,295</u>
1,523,045	481,687	2,004,732	(488,279)	(875,414.00)	4,367,942
562,224	4,361,033	4,923,257	306,722	2,073,376	35,379,810
-	-	-	-	-	1,153,963
<u>562,224</u>	<u>4,361,033</u>	<u>4,923,257</u>	<u>306,722</u>	<u>2,073,376</u>	<u>34,225,847</u>
<u>\$ 2,085,269</u>	<u>\$ 4,842,720</u>	<u>\$ 6,927,989</u>	<u>\$ (181,557)</u>	<u>\$ 1,197,962</u>	<u>\$ 38,593,789</u>

CITY OF FLORESVILLE, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ -	\$ 111,093	\$ 2,221,104	\$ 1,370,135	\$ 3,702,332
Receivables - Net of Allowances for Uncollectibles					
Property Taxes	63,359	58,744	-	-	122,103
Other	67,807	-	-	4,224	72,031
Due from Other Funds	22,720	-	-	4,741	27,461
Due from Other Governments	270,776	-	-	66,980	337,756
Prepaid Expenditures	<u>-</u>	<u>-</u>	<u>3,660</u>	<u>-</u>	<u>3,660</u>
 TOTAL ASSETS	 <u>\$ 424,662</u>	 <u>\$ 169,837</u>	 <u>\$ 2,224,764</u>	 <u>\$ 1,446,080</u>	 <u>\$ 4,265,343</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 60,362	\$ 97	\$ -	\$ -	\$ 60,459
Accrued Liabilities	69,888	-	209,154	-	279,042
Unearned Revenue	61,406	-	-	8,900	70,306
Due to Other Governments	9,569	-	-	-	9,569
Due to Others Funds	<u>264,313</u>	<u>-</u>	<u>-</u>	<u>27,461</u>	<u>291,774</u>
 Total Liabilities	 <u>465,538</u>	 <u>97</u>	 <u>209,154</u>	 <u>36,361</u>	 <u>711,150</u>
<u>Deferred Inflows of Resources</u>					
Unearned Revenues - Taxes	<u>63,359</u>	<u>58,744</u>	<u>-</u>	<u>-</u>	<u>122,103</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	3,660	-	3,660
Restricted					
Debt Service	-	110,996	-	-	110,996
Special Revenue	-	-	-	1,416,434	1,416,434
Capital Projects	-	-	2,011,950	-	2,011,950
Unassigned	<u>(104,235)</u>	<u>-</u>	<u>-</u>	<u>(6,715)</u>	<u>(110,950)</u>
Total Fund Balances	<u>(104,235)</u>	<u>110,996</u>	<u>2,015,610</u>	<u>1,409,719</u>	<u>3,432,090</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 424,662</u>	 <u>\$ 169,837</u>	 <u>\$ 2,224,764</u>	 <u>\$ 1,446,080</u>	 <u>\$ 4,265,343</u>

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

Total fund balance-total governmental funds	\$ 3,432,090
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,560,102
Property taxes receivable unavailable to pay current expenses are deferred in the funds.	122,103
Other long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,012,643
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(214,017)
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)	(809,228)
Bonds Payable and Other Long-term Debt	(10,808,432)
Accrued interest payable on bonded debt is not reported in the funds.	<u>(27,290)</u>
Total net position of governmental activities	<u>\$ 2,085,269</u>

CITY OF FLORESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Property Taxes	\$ 626,739	\$ 526,450	\$ -	\$ -	\$ 1,153,189
Sales and Other Taxes	1,587,606	-	-	584,983	2,172,589
Franchise Fees	786,797	-	-	-	786,797
Licenses, Permits, Fees and Fines	539,662	-	-	50,408	590,070
Miscellaneous	78,700	-	-	-	78,700
Grants and Contributions	15,337	496,978	1,430,000	-	1,942,315
Interest	8	-	30,946	32	30,986
Total Revenues	<u>3,634,849</u>	<u>1,023,428</u>	<u>1,460,946</u>	<u>635,423</u>	<u>6,754,646</u>
<u>EXPENDITURES</u>					
Administration	896,385	-	8,404	114,415	1,019,204
Municipal Court	250,504	-	-	-	250,504
Police Department	1,747,786	-	-	832	1,748,618
Fire Department	63,000	-	-	-	63,000
Streets Department	519,106	-	-	53,827	572,933
Parks and Recreation	420,760	-	-	3,500	424,260
Service Department	224,321	-	-	-	224,321
Pool Department	117,822	-	-	-	117,822
Mayor and Council	79,751	-	-	-	79,751
Development Department	340,845	-	-	-	340,845
Capital Outlay	987	-	2,385,610	23,367	2,409,964
Debt Service					
Principal	-	529,000	-	25,709	554,709
Interest	-	345,525	-	2,055	347,580
Bond Issuance Costs	-	-	-	-	-
Total Expenditures	<u>4,661,267</u>	<u>874,525</u>	<u>2,394,014</u>	<u>223,705</u>	<u>8,153,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,026,418)</u>	<u>148,903</u>	<u>(933,068)</u>	<u>411,718</u>	<u>(1,398,865)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	700,000	-	-	-	700,000
Transfers Out	-	(146,000)	-	(50,000)	(196,000)
Total Other Financing Sources (Uses)	<u>700,000</u>	<u>(146,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>504,000</u>
Net Change in Fund Balances	(326,418)	2,903	(933,068)	361,718	(894,865)
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>222,183</u>	<u>108,093</u>	<u>2,948,678</u>	<u>1,048,001</u>	<u>4,326,955</u>
FUND BALANCES - END OF YEAR	<u>\$ (104,235)</u>	<u>\$ 110,996</u>	<u>\$ 2,015,610</u>	<u>\$ 1,409,719</u>	<u>\$ 3,432,090</u>

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

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, 2017

Net change in fund balances-governmental funds	\$	(894,865)
Amounts reported in governmental activities and in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures (\$2,409,964). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$352,492). This is the amount by which capital outlays exceeded depreciation expense in the current period.		2,057,472
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.		(77,685)
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.		529,000
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.		35,243
Capital lease is recognized as other financing uses in the funds and reported as a liability in the statement of net position.		25,709
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 2017.		(115,052)
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).		1,002
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 2017.		(10,410)
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.		45,231
Payments received and write offs on the interlocal receivables are not recorded as revenues in the governmental funds but as a reduction of the receivable in the statement of activities.		<u>(72,600)</u>
Change in net position of governmental activities	\$	<u>1,523,045</u>

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	TOTALS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 157,674	\$ 150,503	\$ 3,837	\$ 85,657	\$ 397,671
Accounts Receivable, Net of Allowance for Uncollectibles	231,881	208,886	164,170	-	604,937
Other Receivables	-	341	-	817	1,158
Due from Other Funds	273,418	16,500	-	-	289,918
Restricted Cash - USDA Cash in Escrow	-	3,277,000	-	-	3,277,000
Other Receivables - Restricted	-	271,486	-	-	271,486
Due from Other Funds - Restricted	-	6,968	-	-	6,968
Total Current Assets	<u>662,973</u>	<u>3,931,684</u>	<u>168,007</u>	<u>86,474</u>	<u>4,849,138</u>
CAPITAL ASSETS					
Land, System, Buildings, and Equipment	6,181,468	4,372,780	-	52,926	10,607,174
Construction in Progress	<u>1,058,343</u>	<u>4,116,967</u>	<u>-</u>	<u>-</u>	<u>5,175,310</u>
Totals	7,239,811	8,489,747	-	52,926	15,782,484
Less: Accumulated Depreciation	<u>(4,460,061)</u>	<u>(3,051,547)</u>	<u>-</u>	<u>(33,448)</u>	<u>(7,545,056)</u>
Net Capital Assets	<u>2,779,750</u>	<u>5,438,200</u>	<u>-</u>	<u>19,478</u>	<u>8,237,428</u>
TOTAL ASSETS	<u>3,442,723</u>	<u>9,369,884</u>	<u>168,007</u>	<u>105,952</u>	<u>13,086,566</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	<u>119,221</u>	<u>59,543</u>	<u>-</u>	<u>-</u>	<u>178,764</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	93,875	51,688	77,125	1,435	224,123
Accrued Liabilities	9,375	6,905	11,504	-	27,784
Accrued Interest Payable	435	11,426	-	-	11,861
Customer Deposits	1,275	-	-	-	1,275
Due to Other Funds	23,468	9,105	-	-	32,573
Current Maturities of Long-Term Debt	<u>26,190</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>156,190</u>
Total Current Liabilities	<u>154,618</u>	<u>209,124</u>	<u>88,629</u>	<u>1,435</u>	<u>453,806</u>
NONCURRENT LIABILITIES					
Accrued Compensated Absences	64,119	3,054	-	-	67,173
OPEB Liability	36,043	19,705	-	-	55,748
Net Pension Liability	305,179	173,536	-	-	478,715
Long-Term Debt	<u>111,310</u>	<u>7,243,000</u>	<u>-</u>	<u>-</u>	<u>7,354,310</u>
Total NonCurrent Liabilities	<u>516,651</u>	<u>7,439,295</u>	<u>-</u>	<u>-</u>	<u>7,955,946</u>
TOTAL LIABILITIES	<u>671,269</u>	<u>7,648,419</u>	<u>88,629</u>	<u>1,435</u>	<u>8,409,752</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	<u>7,955</u>	<u>4,903</u>	<u>-</u>	<u>-</u>	<u>12,858</u>
NET POSITION					
Net Investment in Capital Assets	2,642,250	1,342,200	-	19,478	4,003,928
Restricted	-	94,066	-	-	94,066
Unrestricted	<u>240,470</u>	<u>339,839</u>	<u>79,378</u>	<u>85,039</u>	<u>744,726</u>
Total Net Position	<u>\$ 2,882,720</u>	<u>\$ 1,776,105</u>	<u>\$ 79,378</u>	<u>\$ 104,517</u>	<u>\$ 4,842,720</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, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTALS
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	
<u>OPERATING REVENUES</u>					
Water Sales, Penalties, and Connection Fees	\$ 1,682,838	\$ -	\$ -	\$ -	\$ 1,682,838
Sewer Sales, Penalties, and Connection Fees	-	1,522,147	-	-	1,522,147
Refuse Collection Fees and Penalties	-	-	1,100,654	-	1,100,654
Sale of Cemetery Lots	-	-	-	12,617	12,617
Miscellaneous	-	175	-	-	175
Total Operating Revenues	<u>1,682,838</u>	<u>1,522,322</u>	<u>1,100,654</u>	<u>12,617</u>	<u>4,318,431</u>
<u>OPERATING EXPENSES</u>					
Personnel Costs	682,193	408,055	-	-	1,090,248
General and Administrative Expenses	207,898	110,030	-	-	317,928
Repairs and Maintenance	243,735	184,853	-	-	428,588
Utilities	116,618	77,172	-	-	193,790
Disposal Fees and Sampling Costs	5,777	52,336	943,159	-	1,001,272
Chemicals	17,820	27,610	-	-	45,430
Liability Insurance	19,283	150	-	-	19,433
Bad Debt Expense	-	-	-	-	-
Other Operating Expenses	-	17,685	-	3,699	21,384
Depreciation	102,492	77,916	-	2,933	183,341
Bond Issuance Cost	-	-	-	-	-
Total Operating Expenses	<u>1,395,816</u>	<u>955,807</u>	<u>943,159</u>	<u>6,632</u>	<u>3,301,414</u>
Operating Income	<u>287,022</u>	<u>566,515</u>	<u>157,495</u>	<u>5,985</u>	<u>1,017,017</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Grant Revenue	-	15,125	-	-	15,125
Interest Income	139	303	-	-	442
Interest and Fiscal Charges	-	(46,897)	-	-	(46,897)
Total Nonoperating Revenues (Expenses)	<u>139</u>	<u>(31,469)</u>	<u>-</u>	<u>-</u>	<u>(31,330)</u>
Net Income before Transfers	287,161	535,046	157,495	5,985	985,687
Transfers In	146,000	-	-	-	146,000
Transfers Out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>(650,000)</u>
Change in Net Position	233,161	335,046	(92,505)	5,985	481,687
<u>NET POSITION AT BEGINNING OF YEAR</u>	<u>2,649,559</u>	<u>1,441,059</u>	<u>171,883</u>	<u>98,532</u>	<u>4,361,033</u>
NET POSITION AT END OF YEAR	<u>\$ 2,882,720</u>	<u>\$ 1,776,105</u>	<u>\$ 79,378</u>	<u>\$ 104,517</u>	<u>\$ 4,842,720</u>

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTALS
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Payments Received from Customers	\$ 1,611,099	\$ 1,468,889	\$ 1,081,890	\$ 11,800	\$ 4,173,678
Payments to Suppliers for Goods and Services	(762,725)	(724,511)	(937,078)	(2,264)	(2,426,578)
Payments for Salaries and Benefits	(695,518)	(389,829)	-	-	(1,085,347)
Net Cash Provided by Operating Activities	<u>152,856</u>	<u>354,549</u>	<u>144,812</u>	<u>9,536</u>	<u>661,753</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Net Debt Issued for Purchase of Capital Assets	-	7,495,000	-	-	7,495,000
Payment on Long-term Debt	(162,500)	(734,500)	-	-	(897,000)
Proceed from Capital Grant	-	15,125	-	-	15,125
Interest Payment from Long-term Debt	-	(36,359)	-	-	(36,359)
Acquisition of Capital Assets	(669,540)	(3,535,195)	-	-	(4,204,735)
Net Cash Provided by Capital and Related Financing Activities	<u>(832,040)</u>	<u>3,204,071</u>	<u>-</u>	<u>-</u>	<u>2,372,031</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers to Other Funds	(303,950)	(214,363)	(250,000)	-	(768,313)
Net Cash Used in Noncapital Financing Activities	<u>(303,950)</u>	<u>(214,363)</u>	<u>(250,000)</u>	<u>-</u>	<u>(768,313)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Received	139	303	-	-	442
Net Increase (Decrease) in Cash and Cash Equivalents	(982,995)	3,344,560	(105,188)	9,536	2,265,913
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>1,140,669</u>	<u>82,943</u>	<u>109,025</u>	<u>76,121</u>	<u>1,408,758</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 157,674</u>	<u>\$ 3,427,503</u>	<u>\$ 3,837</u>	<u>\$ 85,657</u>	<u>\$ 3,674,671</u>

CITY OF FLORESVILLE, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	TOTALS
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>					
Operating Income (loss)	\$ 287,022	\$ 566,515	\$ 157,495	\$ 5,985	\$1,017,017
Depreciation	102,492	77,916	-	2,933	183,341
(Increase) Decrease in Assets					
Accounts Receivable	(72,414)	(53,433)	(18,764)	(817)	(145,428)
Other Receivable	-	(271,827)	-	-	(271,827)
Increase (Decrease) in Liabilities					
Accounts Payable	(151,594)	17,152	1,343	1,435	(131,664)
Accrued Expenses	4,546	(758)	4,738	-	8,526
Customer Deposits	675	-	-	-	675
Net Pension Liability	(17,871)	18,984	-	-	1,113
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 152,856</u>	 <u>\$ 354,549</u>	 <u>\$ 144,812</u>	 <u>\$ 9,536</u>	 <u>\$ 661,753</u>

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CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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, 2017

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, 2016, and became due October 1, 2016 have been assessed to finance the budget of the fiscal year beginning October 1, 2016 and, accordingly, have been reflected as deferred inflows of resources and taxes receivable in the fund financial statement at September 30, 2017.

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 capital projects fund is used to account for the proceeds of the Tax Note debt issued to pay for future city hall improvements, park improvements from capital contributions from the Floresville Economic Development Corporation, 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, 2017

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

Investments for the City are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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.

F. Accounts Receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2016 and past due after January 31, 2017. 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, 2017

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.

The City exceeded the approved amended general fund budget in a majority of the City’s departments, with total general fund expenditures exceeding the approved budget by \$484,324. This budget variance is a statutory violation of the Texas Local Government Code, chapter 102.

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences (Continued)

Vested or accumulated vacation and compensatory time of the enterprise fund and the government-type activities is recorded as an expense and liability as the benefits accrue to employees. Accumulated vacation and compensatory time at September 30, 2017, of \$67,173 and \$222,348 has been recorded in accrued liabilities of the Enterprise Fund and government-type activities statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

K. Deferred Outflows and Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources in the Statement of Net Position related to pensions totaled \$53,061 (\$38,513 in governmental activities, \$12,858 in business-type activities, and 1,690 in the component units). Deferred outflows of resources in the Statement of Net Position related to pensions totaled \$395,329 (\$262,669 in governmental activities, \$111,591 in business-type activities, and \$21,069 in the component units).

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 \$122,103.

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.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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.

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.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 2—CASH AND CASH EQUIVALENTS (CONTINUED)

A. Cash

At September 30, 2017, the carrying amount of the primary government's (the City) cash on hand was \$1,048, deposits in the bank were \$5,295,784 and the book balance was \$7,375,955. The City's cash was fully collateralized.

The City's sewer fund has \$3,277,000 in restricted cash from the issuance of the USDA Series 2016 Utility System Revenue Bonds for a sewer project. The funds are held in an escrow account pending USDA authorization and release of funds for project expenses.

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.

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 (yrs)	Rating S&P
Cash on hand	\$ 1,048	n/a	n/a
Bank deposits	5,339,134	n/a	n/a
Texas CLASS (valued at NAV)	<u>2,036,821</u>	0.21	AAAm
 Total Cash and Cash Equivalents	 <u>\$ 7,377,003</u>		

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 3—RECEIVABLES

A. Other Receivables

Other receivables consist of the following:

	<u>Amount</u>	<u>Allowance for Doubtful</u>	<u>Net Receivable</u>
<u>Government Funds</u>			
Property taxes	\$ 210,493	\$ (88,390)	\$ 122,103
Other governments	337,756	-	337,756
Outstanding Warrants	122,813	(61,406)	61,407
Accounts	<u>10,998</u>	<u>(374)</u>	<u>10,624</u>
Total Government Funds	<u>\$ 682,060</u>	<u>\$ (150,170)</u>	<u>\$ 531,890</u>
<u>Enterprise Funds</u>			
Utility	\$ 648,559	\$ (43,622)	\$ 604,937
Vendor Refunds	<u>272,644</u>	<u>-</u>	<u>272,644</u>
Total Government Funds	<u>\$ 921,203</u>	<u>\$ (43,622)</u>	<u>\$ 877,581</u>

B. Notes Receivable

Notes receivable consist of amounts due from the Floresville EDC in the amount of \$1,012,643. 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.

Future payments under the Interlocal Agreements are as follows:

	<u>Interlocal Agreement Floresville EDC</u>
2018	\$ 77,000
2019	79,200
2020	83,600
2021	88,000
2022	92,400
2023-2027	528,000
2028	<u>64,443</u>
	<u>\$1,012,643</u>

The interest rate on the Floresville EDC Interlocal Agreement is 3.91%.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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, 2017, the Municipal Court Technology Fund owed the General Fund \$22,720, the State Forfeiture Fund owed the Federal Forfeiture Fund \$4,741, the sewer fund owed the water fund \$9,105, and the water fund owed the sewer fund \$23,468. The General Fund owed the water fund \$264,313.

Transfers consisted of the following:

	AMOUNT	PURPOSE
Transfers to the General Fund consisted of the following:		
Hotel/Motel Fund	\$ 50,000	Program supplement
Waterworks Fund	200,000	Program supplement
Sewer Fund	200,000	Program supplement
Refuse Fund	250,000	Program supplement
TOTALS	\$ 700,000	
Transfers to the Water Fund consisted of the following:		
Debt Service Fund	\$ 146,000	Tax note payment

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 6—CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>BALANCE</u> <u>9/30/2016</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2017</u>
Assets Not Being Depreciated				
Land	\$ 719,179	\$ -	\$ -	\$ 719,179
Construction in progress	<u>-</u>	<u>2,004,898</u>	<u>-</u>	<u>2,004,898</u>
Total Assets Not Being Depreciated	719,179	2,004,898	-	2,724,077
Assets Being Depreciated				
Buildings	6,653,948	-	-	6,653,948
Property, plant and equipment	4,584,776	405,066	-	4,989,842
Infrastructure	<u>2,199,952</u>	<u>-</u>	<u>-</u>	<u>2,199,952</u>
Total Assets Being Depreciated	13,438,676	405,066	-	13,843,742
Less Accumulated Depreciation				
Buildings	(1,436,068)	(169,082)	-	(1,605,150)
Property, plant and equipment	(3,897,928)	(128,411)	-	(4,026,339)
Infrastructure	<u>(1,321,229)</u>	<u>(54,999)</u>	<u>-</u>	<u>(1,376,228)</u>
Total Assets Being Depreciated	(6,655,225)	(352,492)	-	(7,007,717)
Assets Being Depreciated, Net	<u>6,783,451</u>	<u>52,574</u>	<u>-</u>	<u>6,836,025</u>
Total Capital Assets, Net	<u>\$ 7,502,630</u>	<u>\$ 2,057,472</u>	<u>\$ -</u>	<u>\$ 9,560,102</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 74,208
Municipal Court	18,239
Police Department	127,317
Fire Department	4,587
Streets Department	41,715
Parks and Recreation	30,890
Service Department	8,579
Pool Department	16,333
Community Development	24,817
Mayor and Council	<u>5,807</u>
	<u>\$ 352,492</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 6—CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended September 30, 2017, was as follows:

<u>Business-type activities:</u>	<u>BALANCE</u> <u>9/30/2016</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2017</u>
Assets Not Being Depreciated:				
Land	\$ 58,155	\$ -	\$ -	\$ 58,155
Construction in Progress	<u>984,392</u>	<u>4,190,918</u>	-	<u>5,175,310</u>
	1,042,547	4,190,918	-	5,233,465
Assets Being Depreciated				
Property, plant and equipment	6,891,701	13,817	-	6,905,518
Infrastructure	<u>3,643,501</u>	-	-	<u>3,643,501</u>
Total Assets Being Depreciated	10,535,202	13,817	-	10,549,019
Less Accumulated Depreciation				
Property, plant and equipment	(3,718,215)	(183,340)	-	(3,901,555)
Infrastructure	<u>(3,643,501)</u>	-	-	<u>(3,643,501)</u>
Total Assets Being Depreciated	(7,361,716)	(183,340)	-	(7,545,056)
Total Assets Being Depreciated, Net	<u>3,173,486</u>	<u>(169,523)</u>	-	<u>3,003,963</u>
Total Capital Assets, Net	<u>\$ 4,216,033</u>	<u>\$ 4,021,395</u>	<u>\$ -</u>	<u>\$ 8,237,428</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 7—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2017 were comprised of the following:

<u>Governmental activities:</u>	<u>Balance</u> <u>9/30/2016</u>	<u>Additions</u>	<u>Refunded or</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligation-Series 2008 Original amount of \$8,500,000 Interest Rate 3.91%	\$ 2,595,000	\$ -	\$ (165,000)	\$ 2,430,000	\$ 175,000
General Obligation Refunding Bonds, Series 2015, Interest Rate 2.0% to 4.0%	5,415,000	-	(310,000)	5,105,000	320,000
Premium on GO Refunding Bonds, Series 2015	493,409	-	(35,243)	458,166	35,243
Tax Note Series 2015, Original amount of \$1,250,000, Interest Rate 1.74%	337,500	-	(54,000)	283,500	54,810
Tax Note Series 2016, Original amount of \$2,505,000, Interest Rate 1.61%	<u>2,505,000</u>	<u>-</u>	<u>-</u>	<u>2,505,000</u>	<u>400,000</u>
Subtotal Bonds and Notes	<u>11,345,909</u>	<u>-</u>	<u>(564,243)</u>	<u>10,781,666</u>	<u>985,053</u>
Capital Lease-Government Capital	<u>52,475</u>	<u>-</u>	<u>(25,709)</u>	<u>26,766</u>	<u>26,766</u>
Subtotal Capital Leases	<u>52,475</u>	<u>-</u>	<u>(25,709)</u>	<u>26,766</u>	<u>26,766</u>
	<u>11,398,384</u>	<u>-</u>	<u>(589,952)</u>	<u>10,808,432</u>	<u>1,011,819</u>
Compensated Absences	<u>203,607</u>	<u>112,214</u>	<u>(101,804)</u>	<u>214,017</u>	<u>107,009</u>
Total	<u>\$ 11,601,991</u>	<u>\$ 112,214</u>	<u>\$ (691,756)</u>	<u>\$ 11,022,449</u>	<u>\$ 1,118,828</u>
<u>Business-type activities:</u>	<u>Balance</u> <u>9/30/2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Due Within</u> <u>One Year</u>
Tax Note Series 2015, Original amount of \$1,250,000, Interest Rate 1.74%					
Waterworks Fund	\$ 300,000	\$ -	\$ (162,500)	\$ 137,500	\$ 26,190
Sewer Fund	612,500	-	(612,500)	-	-
Utility System Revenue Bond, Series 2016 Sewer Fund	-	7,495,000	(122,000)	7,373,000	130,000
Compensated Absences	<u>51,764</u>	<u>41,291</u>	<u>(25,882)</u>	<u>67,173</u>	<u>33,587</u>
Total	<u>\$ 964,264</u>	<u>\$ 7,536,291</u>	<u>\$ (922,882)</u>	<u>\$ 7,577,673</u>	<u>\$ 189,777</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 7—LONG-TERM DEBT (CONTINUED)

<u>Component Unit activities - 4A:</u>	<u>Balance 9/30/2016</u>	<u>Additions</u>	<u>Refunded or Payments</u>	<u>Balance 9/30/2017</u>	<u>Due Within One Year</u>
Sales Tax Revenue Bonds, Series 2007, Original amount of \$990,000, Interest Rate 7.65%	\$ 884,000	\$ -	\$ (884,000)	\$ -	\$ -
Sales Tax Rev. Refunding Bonds, Series 2017, Original amount of \$905,000, Interest Rate 2.88%	-	905,000	-	905,000	50,000
Total	\$ 884,000	\$ 905,000	\$ (884,000)	\$ 905,000	\$ 50,000

<u>Component Unit activities - FEDC:</u>	<u>Balance 9/30/2016</u>	<u>Additions</u>	<u>Refunded or Payments</u>	<u>Balance 9/30/2017</u>	<u>Due Within One Year</u>
Certificates of Obligation-Series 2008 Original amount of \$1,500,000 Interest Rate 3.91%	\$ 1,085,243	\$ -	\$ (72,600)	\$ 1,012,643	\$ 77,000.00
Sales Tax Revenue Bonds, Series 2017, Original amount of \$1,430,000, Interest Rate 2.63%	-	1,430,000	(75,000)	1,355,000	65,000
Total	\$ 1,085,243	\$ 1,430,000	\$ (147,600)	\$ 2,367,643	\$ 142,000

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, 2017, including interest payments, are as follows:

Year ended September 30,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 949,810	\$ 327,477	\$ 1,277,287	\$ 156,190	\$ 140,636	\$ 296,826
2019	975,620	303,641	1,279,261	159,380	137,743	297,123
2020	1,001,700	279,134	1,280,834	162,300	135,157	297,457
2021	1,027,780	253,837	1,281,617	165,220	131,785	297,005
2022	1,053,590	227,748	1,281,338	168,410	128,726	297,136
2023-2027	3,635,000	732,436	4,367,436	741,000	601,106	1,342,106
2028-2032	1,680,000	124,552	1,804,552	812,000	529,254	1,341,254
2033-2037	-	-	-	891,000	449,862	1,340,862
2038-2042	-	-	-	978,000	363,087	1,341,087
2043-2047	-	-	-	1,075,000	267,814	1,342,814
2048-2052	-	-	-	1,178,000	163,247	1,341,247
2053-2057	-	-	-	1,024,000	48,445	1,072,445
Totals	\$ 10,323,500	\$ 2,248,825	\$ 12,572,325	\$ 7,510,500	\$ 3,096,862	\$ 10,607,362

Year ended September 30,	COMPONENT UNIT ACTIVITIES - 4A			COMPONENT UNIT ACTIVITIES - FEDC		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 50,000	\$ 24,041	\$ 74,041	\$ 142,000	\$ 76,588	\$ 218,588
2019	50,000	23,904	73,904	144,200	71,868	216,068
2020	52,000	22,435	74,435	148,600	67,061	215,661
2021	53,000	20,923	73,923	158,000	62,018	220,018
2022	55,000	19,368	74,368	162,400	56,726	219,126
2023-2027	300,000	71,740	371,740	958,000	196,587	1,154,587
2028-2032	345,000	25,416	370,416	654,443	36,423	690,866
Totals	\$ 905,000	\$ 207,827	\$ 1,112,827	\$ 2,367,643	\$ 567,271	\$ 2,934,914

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE 7—LONG-TERM DEBT (CONTINUED)

During the year, the Floresville 4A Corporation issued Sales Tax Revenue Refunding Bonds, Series 2017 for \$905,000 to refund the Sales Tax Revenue Bonds, Series 2007 in the amount of \$867,000, by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Corporation's financial statements. As a result of the refunding, the Corporation reduced its total debt service requirements by \$279,252 and resulted in an economic gain of \$136,606. Bonds outstanding that are considered defeased as a result of the current year refunding total \$-0-

Capital lease:

Commitments under capitalized lease agreements for vehicles and equipment provide for minimum future lease payments as of September 30, 2017 as follows:

Year ended September 30, 2017	\$ 27,786
Total minimum rentals	27,786
Less amount representing interest	<u>(1,020)</u>
Net present value	<u>\$ 26,766</u>

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

NOTE 8— FUND BALANCE DEFICIT AND MANAGEMENT PLANS

The General Fund had a fund deficit at year end of (\$104,235). The Municipal Court Technology Fund and the State Forfeitures fund also had deficit fund balances at the end of the year of (\$5,739) and (\$976), respectively. The City's plan to improve the fund balance in these funds is to implement a Zero Base Budget Policy and achieve fund deficit reduction of not less than 25% per year beginning with fiscal year 2018/2019.

NOTE 9— NET POSITION DEFICIT AND MANAGEMENT PLANS

Due to increase in capital expenditures from capital contributions in 2017, the City's governmental activities experienced an increase in the deficit unrestricted net position from (\$743,136) to (\$1,218,424). The City believes future funding and balanced budgeting will bring the unassigned net position out of its deficit.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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.tmrs.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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	34
Active employees	62

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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 10.48% and 10.91% for calendar years 2016 and 2015 respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$320,911, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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

* Presented 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%. 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, 2017

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial assumptions used in the December 31, 2016, 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. 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 (conservative) and (2) geometric mean (conservative) with 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 of 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%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	7.75%
Total	100.0%	

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 6,310,688	\$ 4,674,130	\$ 1,636,558
Changes for the year:			
Service Cost	344,928	-	344,928
Interest	428,521	-	428,521
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	132,971	-	132,971
Changes of Assumptions	-	-	-
Contributions - Employer	-	293,547	(293,547)
Contributions - Employee	-	147,028	(147,028)
Net Investment Income	-	316,002	(316,002)
Benefit Payments, Including Refunds of Employee Contributions	(269,387)	(269,387)	-
Administrative Expense	-	(3,568)	3,568
Other Changes	-	(192)	192
Net Changes	<u>637,033</u>	<u>483,430</u>	<u>153,603</u>
Balance at December 31, 2016	<u>\$ 6,947,721</u>	<u>\$ 5,157,560</u>	<u>\$ 1,790,161</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	\$ 2,845,470	\$ 1,790,161	\$ 933,072

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.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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, 2017, the City recognized pension expense of \$409,218.

At September 30, 2017, 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	\$ 169,299	\$ (53,061)
Changes in Actuarial Assumptions	17,500	-
Difference Between Projected and Actual Investment Earnings	208,530	-
Contributions Subsequent to the Measurement Date	<u>251,189</u>	<u>-</u>
Total	<u>\$ 646,518</u>	<u>\$ (53,061)</u>

The City reported \$251,189 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 94,541
2019	143,826
2020	94,148
2021	9,753
2022	-
Thereafter	-
Total	<u>\$ 342,268</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, 2017

NOTE 11—OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB 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, 2017 is as follows:

Annual Required Contribution (ARC)	\$ 34,674
Interest on OPEB Obligation	612
Adjustment to ARC	<u>(13,212)</u>
OPEB Cost (Expense) End of Year	<u>(22,074)</u>
Net Estimated Employer Contributions	<u>(22,074)</u>
Increase in Net OPEB Obligation	-
Net OPEB Obligation, as of Beginning of Year	<u>238,452</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, 2017 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	\$ 34,546	\$ 26,258	76.01%	\$ 13,992
9/30/2015	34,673	33,348	96.18%	15,308
9/30/2016	34,418	34,418	64.14%	27,653

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of October 1, 2016 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
10/1/2016	\$ -	\$ 238,452	\$ 238,452	0.00%	\$ 3,095,462	7.70%

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, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 7.70%.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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	10/1/2016
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, 2017

NOTE 12—FUND BALANCE CATEGORIES

	General Fund	Debt Service	Capital Projects	Other Non-major Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ 3,660	\$ -	\$ 3,660
Restricted for:					
Debt Service	-	110,996	-	-	110,996
Capital Projects	-	-	2,011,950	-	2,011,950
Street Maintenance Tax	-	-	-	779,334	779,334
Hotel/Motel Occupancy Tax	-	-	-	494,323	494,323
State Forfeiture	-	-	-	-	-
Federal Forfeiture	-	-	-	50,596	50,596
LEOSE Funds	-	-	-	4,711	4,711
Parks and Recreation	-	-	-	68,565	68,565
Municipal Court Building Security	-	-	-	17,582	17,582
Child Safety	-	-	-	1,323	1,323
	-	110,996	2,015,610	1,416,434	3,543,040
Unassigned	(104,235)	-	-	(6,715)	(110,950)
	<u>\$ (104,235)</u>	<u>\$ 110,996</u>	<u>\$ 2,015,610</u>	<u>\$ 1,409,719</u>	<u>\$ 3,432,090</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—SUBSEQUENT EVENTS

Subsequent to year end the City issued the City of Floresville, Texas Utility System Revenue Bonds, Series 2017 for the water system project in the amount of \$3,719,000.

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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, 2017

	<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	\$ 571,886	\$ 585,354	\$ 626,739	\$ 41,385
Sales and Other Taxes	1,415,000	1,426,255	1,587,606	161,351
Franchise Fees	732,035	771,891	539,662	(232,229)
Licenses, Permits, Fees and Fines	527,510	569,781	786,797	217,016
Miscellaneous	31,500	32,022	78,700	46,678
Contributions	7,000	8,486	15,337	6,851
Interest	-	-	8	8
Total Revenues	<u>3,284,931</u>	<u>3,393,789</u>	<u>3,634,849</u>	<u>241,060</u>
<u>EXPENDITURES</u>				
Administration	651,083	680,007	896,385	(216,378)
Municipal Court	172,641	172,641	250,504	(77,863)
Police Department	1,668,477	1,675,328	1,747,786	(72,458)
Fire Department	93,000	93,000	63,000	30,000
Streets Department	442,817	436,197	519,106	(82,909)
Parks and Recreation	430,690	430,690	421,747	8,943
Service Department	202,502	202,502	224,321	(21,819)
Pool Department	78,854	78,854	117,822	(38,968)
Mayor and Council	94,000	94,000	79,751	14,249
Development Department	<u>359,818</u>	<u>313,724</u>	<u>340,845</u>	<u>(27,121)</u>
Total Expenditures	<u>4,193,882</u>	<u>4,176,943</u>	<u>4,661,267</u>	<u>(484,324)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(908,951)	(783,154)	(1,026,418)	(243,264)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>704,200</u>	<u>809,441</u>	<u>700,000</u>	<u>(109,441)</u>
Total Other Financing Sources (Uses)	704,200	809,441	700,000	(109,441)
Net Change in Fund Balance	(204,751)	26,287	(326,418)	(352,705)
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>222,183</u>	<u>222,183</u>	<u>222,183</u>	<u>-</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 17,432</u>	<u>\$ 248,470</u>	<u>\$ (104,235)</u>	<u>\$ (352,705)</u>

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL ON A
GAAP BASIS - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<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	\$ 532,143	\$ 532,143	\$ 526,450	\$ (5,693)
Contributions	<u>596,000</u>	<u>596,000</u>	<u>496,978</u>	<u>(99,022)</u>
Total Revenues	<u>1,128,143</u>	<u>1,128,143</u>	<u>1,023,428</u>	<u>(104,715)</u>
<u>EXPENDITURES</u>				
Administration	-	-	-	-
Debt Service				
Principal	713,474	713,474	529,000	184,474
Interest	319,563	319,563	345,525	(25,962)
Bond Issuance Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,033,037</u>	<u>1,033,037</u>	<u>874,525</u>	<u>158,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>95,106</u>	<u>95,106</u>	<u>148,903</u>	<u>53,797</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer Out	<u>-</u>	<u>-</u>	<u>(146,000)</u>	<u>(146,000)</u>
Net Change in Fund Balance	95,106	95,106	2,903	(92,203)
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>108,093</u>	<u>108,093</u>	<u>108,093</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 203,199</u>	<u>\$ 203,199</u>	<u>\$ 110,996</u>	<u>\$ (92,203)</u>

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS – LAST 10 YEARS*
FOR THE MEASUREMENT PERIOD ENDED DECEMBER 31.

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 211,816	\$ 282,963	\$ 344,928
Interest (on the Total Pension Liability)	395,168	401,700	428,521
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(206,580)	133,224	132,971
Change of assumptions	-	34,740	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(407,263)</u>	<u>(278,060)</u>	<u>(269,387)</u>
Net Change in Total Pension Liability	(6,859)	574,567	637,033
Total Pension Liability - Beginning	<u>5,742,980</u>	<u>5,736,121</u>	<u>6,310,688</u>
Total Pension Liability - Ending (a)	<u>\$ 5,736,121</u>	<u>\$ 6,310,688</u>	<u>\$ 6,947,721</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 236,798	\$ 281,096	\$ 293,547
Contributions - Employee	108,046	128,854	147,028
Net Investment Income	249,219	6,699	316,002
Benefit Payments, Including Refunds of Employee Contributions	(407,263)	(278,060)	(269,387)
Administrative Expense	(2,602)	(4,080)	(3,568)
Other	<u>(214)</u>	<u>(202)</u>	<u>(192)</u>
Net Change in Plan Fiduciary Net Position	183,984	134,307	483,430
Plan Fiduciary Net Position - Beginning	<u>4,355,839</u>	<u>4,539,823</u>	<u>4,674,130</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,539,823</u>	<u>\$ 4,674,130</u>	<u>\$ 5,157,560</u>
Net Pension Liability (a) - (b)	<u>\$ 1,196,298</u>	<u>\$ 1,636,558</u>	<u>\$ 1,790,161</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.14%	74.07%	74.23%
Covered Employee Payroll	\$ 2,160,922	\$ 2,577,073	\$ 2,940,566
Net Pension Liability as a Percentage of Total Covered Employee Payroll	55.36%	63.50%	60.88%

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

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*
FOR THE FISCAL YEAR ENDED SEPTEMBER 30.

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contributions	\$ 263,987	\$ 307,466	\$ 320,911
Contributions in Relation to the Actuarially Determined Contributions	<u>263,987</u>	<u>307,466</u>	<u>320,911</u>
Contribution Deficiency (excess)	-	-	-
Covered Employee Payroll	\$ 2,416,901	\$ 3,009,314	\$ 3,095,462
Contributions as a Percentage of Covered Employee Payroll	10.92%	10.22%	10.37%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the third 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, 2017

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
10/1/2014	\$ -	\$ 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%
10/1/2016	-	238,452	238,452	0.00%	3,095,462	7.70%

CITY OF FLORESVILLE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2017

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	29 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, 2017

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,323	\$ 12,665	\$ 45,855	\$ 64,341
Other Receivables, net	-	-	-	4,224
Due from Other Funds	-	-	4,741	-
Due from Other Governments	-	-	-	-
Prepaid Expenditures	-	-	-	-
 TOTAL ASSETS	<u>\$ 1,323</u>	<u>\$ 12,665</u>	<u>\$ 50,596</u>	<u>\$ 68,565</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	4,741	-	-
Deferred Revenue	-	8,900	-	-
Total Liabilities	<u>-</u>	<u>13,641</u>	<u>-</u>	<u>-</u>
 <u>FUND BALANCES</u>				
Restricted for Special Revenue	1,323	-	50,596	68,565
Unassigned Deficit Fund Balance	-	(976)	-	-
Total Fund Balance	<u>1,323</u>	<u>(976)</u>	<u>50,596</u>	<u>68,565</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,323</u>	<u>\$ 12,665</u>	<u>\$ 50,596</u>	<u>\$ 68,565</u>

FUNDS					
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	HOTEL/ MOTEL OCCUPANCY TAX	STREET MAINTENANCE TAX	TOTAL NONMAJOR FUNDS
\$ 16,981	\$ 17,582	\$ 4,711	\$ 494,323	\$ 712,354	\$ 1,370,135
-	-	-	-	-	4,224
-	-	-	-	-	4,741
-	-	-	-	66,980	66,980
-	-	-	-	-	-
<u>\$ 16,981</u>	<u>\$ 17,582</u>	<u>\$ 4,711</u>	<u>\$ 494,323</u>	<u>\$ 779,334</u>	<u>\$ 1,446,080</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,720	-	-	-	-	27,461
-	-	-	-	-	8,900
<u>22,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,361</u>
-	17,582	4,711	494,323	779,334	1,416,434
(5,739)	-	-	-	-	(6,715)
<u>(5,739)</u>	<u>17,582</u>	<u>4,711</u>	<u>494,323</u>	<u>779,334</u>	<u>1,409,719</u>
<u>\$ 16,981</u>	<u>\$ 17,582</u>	<u>\$ 4,711</u>	<u>\$ 494,323</u>	<u>\$ 779,334</u>	<u>\$ 1,446,080</u>

CITY OF FLORESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>SPECIAL REVENUE</u>			
	<u>CHILD SAFETY</u>	<u>STATE FORFEITURE</u>	<u>FEDERAL FORFEITURE</u>	<u>PARKS AND RECREATION</u>
<u>REVENUES</u>				
Sales and Other Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - grant revenue				
Fines, Fees and Forfeitures	816	2,723	4,741	31,052
Interest Earned	-	25	-	-
Total Revenues	<u>816</u>	<u>2,748</u>	<u>4,741</u>	<u>31,052</u>
<u>EXPENDITURES</u>				
Current				
Administration	-	-	-	-
Streets Department	-	-	-	-
Park and Recreation	-	-	-	3,500
Public Safety	-	832	-	-
Capital Outlay	-	11,367	-	-
Debt Service				
Principal	-	25,709	-	-
Interest	-	2,055	-	-
Total Expenditures	<u>-</u>	<u>39,963</u>	<u>-</u>	<u>3,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>816</u>	<u>(37,215)</u>	<u>4,741</u>	<u>27,552</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	816	(37,215)	4,741	27,552
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>507</u>	<u>36,239</u>	<u>45,855</u>	<u>41,013</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,323</u>	<u>\$ (976)</u>	<u>\$ 50,596</u>	<u>\$ 68,565</u>

FUNDS					
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	HOTEL/ MOTEL OCCUPANCY TAX	STREET MAINTENANCE TAX	TOTAL NONMAJOR FUNDS
\$ -	\$ -	\$ -	\$ 190,316	\$ 394,667	\$ 584,983
5,356	4,155	1,565	-	-	50,408
<u>4</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32</u>
<u>5,360</u>	<u>4,158</u>	<u>1,565</u>	<u>190,316</u>	<u>394,667</u>	<u>635,423</u>
-	-	-	114,415	-	114,415
-	-	-	-	53,827	53,827
-	-	-	-	-	3,500
-	-	-	-	-	832
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>23,367</u>
-	-	-	-	-	25,709
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,055</u>
-	-	-	114,415	65,827	223,705
<u>5,360</u>	<u>4,158</u>	<u>1,565</u>	<u>75,901</u>	<u>328,840</u>	<u>411,718</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
5,360	4,158	1,565	25,901	328,840	361,718
<u>(11,099)</u>	<u>13,424</u>	<u>3,146</u>	<u>468,422</u>	<u>450,494</u>	<u>1,048,001</u>
<u>\$ (5,739)</u>	<u>\$ 17,582</u>	<u>\$ 4,711</u>	<u>\$ 494,323</u>	<u>\$ 779,334</u>	<u>\$1,409,719</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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2018. Our report includes a reference to other auditors who audited the financial statements of the City of Floresville Electric Light and Power Systems (FELPS), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. See Finding 2017-II-001.

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 an instance 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 item 2017-II-002.

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

June 28, 2018

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, 2017. 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; and 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, 2017.

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 2017-III-01 through 2017-III-05. 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 a 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 have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-III-001 and 2017-III-03 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 2017-III-002 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

June 28, 2018

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CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS		
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> </u> Yes	<u>X</u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u>X</u> No

FEDERAL AWARDS		
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

IDENTIFICATION OF MAJOR PROGRAMS		
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, 2017

Section II: Financial Statement Findings

Finding 2017-II-001 – 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 an improper balance at year end which had to be adjusted by \$195,893 to record additional expenses.

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 added a full time bookkeeper during the current year to assist in performing account reconciliations going forward.

Finding 2017-II-002 – Exceeding Approved Budget
Type of Finding - Compliance

Criteria: The City statutorily is not allowed to exceed the Council approved appropriations in the general fund's budget.

Condition/Cause: The purchase order system is not being properly utilized, as expenditures are being approved that exceed the approved budget amounts by departments. The budget to actual schedule indicates the City exceeded most department's amended budgets and total expenditures exceeded the approved budget by \$484,324.

Recommendation: We recommend the finance department follow proper procedures and disallow any expenditures that will exceed the budget unless a budget amendment is approved by City Council.

Response: In fiscal year 2018, the City began using an electronic purchase order system which gives warning messages and will disallow any expenditures that exceed budgeted amounts without the proper budget amendments being approved by City Council.

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section III – Federal Award Findings and Questioned Costs

Finding 2017-III-001 – Duplicate Invoice Payment
Type of Finding – Material Weakness
Total Questioned Costs- \$271,486

Criteria: Federal expenditures should be reviewed and monitored closely to ensure that all expenses associated with federal programs are for allowable expenditures. There was also a finding for a duplicate payment in the prior year.

Condition/Cause: Our testing of federal expenditures associated with the USDA Sewer grant detected an invoice for \$271,486 that was paid twice to vendor Pepper Lawson for application payment #7.

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 2017-III-002 – Timing of Vendor Payments
Finding – Significant Deficiency
Total Questioned Costs - \$381,000

Criteria: Payments to vendors should be made within a reasonable time period after the federal drawdown is received.

Condition/Cause: Our testing of federal drawdowns associated with the USDA Water and Sewer grants identified a vendor payment which was not made in a timely manner. The City requested a drawdown of \$381,000 on 8/10/2017, received the money on 8/14/2017, but the vendor was not paid until 26 business days later on 9/20/2017.

Recommendation: We recommend the Finance Department review and reconcile monthly federal drawdowns in order to ensure vendor payments are made in a timely manner.

Response: The Finance Department will review and reconcile monthly federal drawdowns.

Finding 2017-III-003 – Unallowable Transaction
Finding – Material Weakness
Total Questioned Costs - \$16,500

Criteria: Drawdowns from the USDA Sewer loan can only be used to cover allowable Sewer Project costs.

Condition/Cause: Our testing identified that an amount of \$16,500 from a USDA sewer drawdown was used to pay off part of a Tax Note related to the USDA Water Project.

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Finding 2017-III-003 – Unallowable Transaction (Continued)

Recommendation: We recommend the City use more due diligence when matching federal drawdowns to related allowable expenses.

Response: The finance department will use more due diligence when making payments with federal drawdowns.

Finding 2017-III-004 – Reporting Requirements
Finding – Compliance

Criteria: All reporting requirements should have adequate documentation showing that the reports were sent and received prior to established deadlines.

Condition/Cause: Through review of the USDA Sewer Letter of Conditions, the City is required to submit an annual audit report, annual budget, current rate schedule, and a supplemental report containing a) total number of customers and b) listing of board members and their terms to USDA. The City could not produce any documentation to show required reports were mailed to USDA before set deadlines.

Recommendation: We recommend the City keep the proper documentation (packaging slips, receipts) on file for any reports mailed to USDA.

Response: The City will keep documentation showing the dates that reports were sent to USDA going forward.

Finding 2017-III-005 – General Procurement Standards
Finding – Compliance

Criteria: The City should have documented procurement procedures.

Condition/Cause: Our testing of federal procurement identified that the City does not have a written procurement policy to follow.

Recommendation: We recommend the City draft a procurement policy which reflects applicable federal, state and local laws and have City Council approve it.

Response: The Comptroller will prepare a procurement policy document for the City and present the policy to Council for approval.

CITY OF FLORESVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II: Financial Statement Findings

2016-II-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: No similar finding was identified during the current year.

2016-II-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: No similar finding was identified during the current year.

Finding 2016-II-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. 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

CITY OF FLORESVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II: Financial Statement Findings (Continued)

Finding 2016-II-003 – Account Reconciliation/Review (Continued)

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.

Status: Accounts payable was not properly reconciled at year end by the City and had an improper balance at year end which had to be adjusted by \$195,893.37 to record additional expenses. This remains a finding, see finding 2017-II-002. There were no similar findings for worker's compensation payable, sales tax payable, or retirement expense during the current year.

Finding 2016-II-004 – Forfeiture Fund Accounting

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.

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.

Status: No similar finding was identified during the current year.

Finding 2016-II-005 – Fiduciary Fund Reconciliation

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.

CITY OF FLORESVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II: Financial Statement Findings (Continued)

Finding 2016-II-005 – Fiduciary Fund Reconciliation (Continued)

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.

Status: No similar finding was identified during the current year.

Finding 2016-II-006 – Public Funds Investment Act

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.

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.

Status: No similar finding was identified during the current year.

Finding 2016-II-007 – Debt Service Fund Expenditures

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.

Status: No similar finding was identified during the current year.

CITY OF FLORESVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section III – Federal Award Findings and Questioned Costs

Finding 2016-III-001 – Duplicate Invoice Payment
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.

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

Status: A duplicate payment was also made in the current year for the amount of \$277,486. This remains a finding, see Finding 2017-III-001

Finding 2016-III-002 – Accounts Payable Reconciliation
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.

Status: No similar finding was identified during the current year.

Finding 2016-III-003 – Federal Expense Invoice Support

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.

Status: No similar finding was identified during the current year.

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANTOR'S PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Water and Wastewater Disposal System for Rural Communities	10.760		\$ <u>3,791,975</u>
Total U.S. Department of Agriculture			<u>3,791,975</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant	14.228		<u>49,924</u>
Total U.S. Department of Housing and Urban Development			<u>49,924</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,841,899</u>

CITY OF FLORESVILLE, TEXAS
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

NOTE 2: WATER AND WASTEWATER DISPOSAL SYSTEM FOR RURAL COMMUNITIES BOND PROGRAM

The water and wastewater disposal system for rural communities bond program is administered directly by the U.S. Department of Agriculture and balances and transactions relating to this program is included in the City of Floresville's basic financial statements. The Schedule of Expenditure of Federal Awards includes the amount of funds used by the City for the bond project. The balance of the bond at September 30, 2017 was \$7,373,000 and the City had \$3,277,000 available to spend on future bond projects expenditures.