

FINAL DRAFT

CITY OF FLORESVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

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FINAL DRAFT

ANNUAL FINANCIAL REPORT
of the
CITY OF FLORESVILLE, TEXAS
YEAR ENDED SEPTEMBER 30, 2018

CITY COUNCIL:

MAYOR	CECELIA GONZALEZ-DIPPEL
MAYOR PRO TEM	GLORIA MORALES CANTU
COUNCIL MEMBER	DAVID JOHNS
COUNCIL MEMBER	JUAN ORTIZ
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, 2018, 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, 2018 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.

Substantial Doubt about the City's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the City of Floresville, Texas will continue as a going concern. As discussed in Note 8 to the financial statements, as the City's general fund continues to experience negative changes in fund balance, rely on budgeted transfers from other funds, and borrow restricted cash to aid in the general fund's operations, there may be substantial doubt about the City's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter

Change in Accounting Principle

As described in Note I-S to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, TMRS pension information, and schedule of changes in other postemployment benefit liability - 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, debt service budget to actual schedule, 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 27, 2019, 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.

San Antonio, Texas
June 27, 2019

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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, 2018. 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 deficit 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 \$1,282,537 increase in net position, after restatement of net position, was primarily due to budgeted transfers from business-type funds, as well as property taxes and franchise taxes increases during the fiscal year.
- Included in total net position are the following components:
 - \$2,729,473 net investment in capital assets.
 - \$1,918,055 that is restricted for use.
 - (\$1,279,722) unrestricted.

Business-Type Activities:

- The net position increased by \$593,520, after restatement of net position, for a balance of \$5,436,240.
- Included in total net position are the following components:
 - \$5,468,488 net investment in capital assets.
 - \$(32,248) that is unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's 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 and 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), 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 52.

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 \$1,876,057, after restatement of net position, from \$6,927,989 to \$8,804,046. 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 (\$1,311,970) at September 30, 2018.

Table 1
City of Floresville, Texas
Statement of Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017
ASSETS						
Current Assets	\$ 2,159,400	\$ 4,237,882	\$ 1,472,020	\$ 1,539,565	\$ 3,631,420	\$ 5,777,447
Noncurrent Assets	935,643	1,012,643	-	-	935,643	1,012,643
Capital Assets	11,369,050	9,560,102	13,889,798	11,514,428	25,258,848	21,074,530
Total Assets	14,464,093	14,810,627	15,361,818	13,053,993	29,825,911	27,864,620
Deferred Outflows of Resources	324,049	431,338	122,482	178,764	446,531	610,102
LIABILITIES						
Current Liabilities	1,311,333	1,829,807	1,149,273	265,043	2,460,606	2,094,850
Long-Term Liabilities	9,996,694	11,288,376	8,862,079	8,112,136	18,858,773	19,400,512
Total Liabilities	11,308,027	13,118,183	10,011,352	8,377,179	21,319,379	21,495,362
Deferred Inflows of Resources	112,309	38,513	36,708	12,858	149,017	51,371
NET POSITION						
Net Investment in Capital Assets	2,729,473	1,776,263	5,468,488	4,003,928	8,197,961	5,780,191
Restricted	1,918,055	1,527,430	-	94,066	1,918,055	1,621,496
Unrestricted	(1,279,722)	(1,218,424)	(32,248)	744,726	(1,311,970)	(473,698)
TOTAL NET POSITION	<u>\$ 3,367,806</u>	<u>\$ 2,085,269</u>	<u>\$ 5,436,240</u>	<u>\$ 4,842,720</u>	<u>\$ 8,804,046</u>	<u>\$ 6,927,989</u>

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Table 2
City of Floresville, Texas
Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017
REVENUES						
Program Revenues						
Charges for Services	\$ 732,172	\$ 590,070	\$ 4,868,716	\$ 4,318,431	\$ 5,600,888	\$ 4,908,501
Operating Grants and Contributions	457,786	439,715	-	-	457,786	439,715
Capital Contribution	25,250	1,430,000	1,278,851	15,125	1,304,101	1,445,125
General Revenues						
Property Tax	1,409,290	1,075,504	-	-	1,409,290	1,075,504
Sales Tax	2,131,499	2,172,590	-	-	2,131,499	2,172,590
Hotel/Motel Tax	235,139	190,316	-	-	235,139	190,316
Franchise Tax	807,894	596,480	-	-	807,894	596,480
Unrestricted Investment Earnings	24,679	30,986	360	442	25,039	31,428
Other Income	14,222	78,700	-	-	14,222	78,700
Total Revenues	<u>5,837,931</u>	<u>6,604,361</u>	<u>6,147,927</u>	<u>4,333,998</u>	<u>11,985,858</u>	<u>10,938,359</u>
EXPENSES						
General Government	1,116,469	1,096,193	-	-	1,116,469	1,096,193
Judicial	274,110	270,866	-	-	274,110	270,866
Police	1,946,720	1,931,055	-	-	1,946,720	1,931,055
Fire Protection	67,450	67,587	-	-	67,450	67,587
Highways and Streets	708,761	622,916	-	-	708,761	622,916
Mayor and Council	51,043	85,558	-	-	51,043	85,558
Parks and Recreation	455,341	461,586	-	-	455,341	461,586
Service Department	257,500	234,620	-	-	257,500	234,620
Pool	137,917	134,155	-	-	137,917	134,155
Development Department	352,711	369,445	-	-	352,711	369,445
Bond Interest	291,258	311,335	-	-	291,258	311,335
Water	-	-	1,285,061	1,395,816	1,285,061	1,395,816
Sewer	-	-	1,303,598	1,002,704	1,303,598	1,002,704
Refuse	-	-	918,222	943,159	918,222	943,159
Cemetery	-	-	68,164	6,632	68,164	6,632
Total Expenses	<u>5,659,280</u>	<u>5,585,316</u>	<u>3,575,045</u>	<u>3,348,311</u>	<u>9,234,325</u>	<u>8,933,627</u>
Increase (Decrease) in Net Position before Transfers	178,651	1,019,045	2,572,882	985,687	2,751,533	2,004,732
TRANSFERS	950,000	504,000	(950,000)	(504,000)	-	-
Change in Net Position	1,128,651	1,523,045	1,622,882	481,687	2,751,533	2,004,732
NET POSITION AT BEGINNING OF YEAR	2,085,269	562,224	4,842,720	4,361,033	6,927,989	4,923,257
Restatement of Net Position	153,886	-	(1,029,362)	-	(875,476)	-
NET POSITION AT BEGINNING OF YEAR - RESTATED	<u>2,239,155</u>	<u>562,224</u>	<u>3,813,358</u>	<u>4,361,033</u>	<u>6,052,513</u>	<u>4,923,257</u>
NET POSITION AT END OF YEAR	<u>\$ 3,367,806</u>	<u>\$ 2,085,269</u>	<u>\$ 5,436,240</u>	<u>\$ 4,842,720</u>	<u>\$ 8,804,046</u>	<u>\$ 6,927,989</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 \$1,762,631.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal year ended 2018, the City had \$25,258,848, 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 40 through 41).

Debt:

During the fiscal year, the City issued Utility System Revenue Bonds, Series 2017 in the amount of \$1,067,000. At year-end, the City had \$18,217,923 in bonds 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 42 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 2019 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. The budget was executed in pursuit of addressing future needs of the City's infrastructure. The City has been able to obtain USDA and CDBG funds in grants and loans to improve the infrastructure of the City. Infrastructure improvements will continue as an integral part of that effort so that the City may maintain their services and competitive posture. The street department will continue paving projects in accordance with the street study, in conjunction with the streets program. The water distribution department has installed smart meters City wide and will continue to monitor this new program. The Annexation of 2019 will go into effect on October 1, 2019, following a three year process designed to meet the needs of future growth of the City. These factors were taken into account when adopting the general fund budget for 2019.

Amounts available for appropriation in the general fund budget are \$3,982,250, an increase of \$369,062 or 9% over the final 2018 budget of \$3,613,188. In order to accomplish funding of the 2019 budget, the 2019 tax rate was set at \$0.1911/\$100 for general operations and \$0.2520/\$100 for debt service, for a total of \$0.4431/\$100.

The general fund balance decreased to \$(358,259) at September 30, 2018, leading to an even more urgent need for the Council and Staff to properly implement city policies to address this issue. Some of the key components included are additional monitoring of current budgets, continuing the zero based budgeting for 2019/2020, and separating the pooled cash account in order to maintain control over cash spending.

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, 2018

FINAL DRAFT

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 414,465	\$ 746,974	\$ 1,161,439
Receivables - Net of Allowances for Uncollectibles:			
Property Taxes	113,122	771,246	884,368
Other	79,894	1,158	81,052
Due from Other Governments	366,727	-	366,727
Due from Component Units	1,091,531	-	1,091,531
Internal Balances	60,571	(60,571)	-
Inventories	-	-	-
Prepaid Items	33,090	13,213	46,303
Capital Assets, Net			
Land	719,179	58,155	777,334
Construction in Progress	2,466,418	10,295,421	12,761,839
Buildings	6,250,415	-	6,250,415
Property, Plant and Equipment	1,032,028	2,989,223	4,021,251
Infrastructure	901,010	546,999	1,448,009
Note Receivable Center for Housing	-	-	-
Note Receivable F & W	-	-	-
Note Receivable Floresville EDC	935,643	-	935,643
Cash and Cash Equivalents - Restricted	-	-	-
Total Assets	<u>14,464,093</u>	<u>15,361,818</u>	<u>29,825,911</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Deferred Outflows	<u>324,049</u>	<u>122,482</u>	<u>446,531</u>
<u>LIABILITIES</u>			
Accounts Payable	129,472	679,384	808,856
Accrued Liabilities	71,736	456,828	528,564
Due to Other Governments	1,183	-	1,183
Unearned Revenue	25,416	1,200	26,616
Accrued Interest Payable	25,303	11,861	37,164
Noncurrent Liabilities			
Long-Term Debt: Due Within One Year	1,058,223	232,140	1,290,363
Long-Term Debt: Due in More than One Year	8,927,832	8,236,209	17,164,041
Net Pension Liability	1,054,297	388,610	1,442,907
OPEB Liability	<u>14,565</u>	<u>5,120</u>	<u>19,685</u>
Total Liabilities	<u>11,308,027</u>	<u>10,011,352</u>	<u>21,319,379</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Related Deferred Inflows	<u>112,309</u>	<u>36,708</u>	<u>149,017</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,729,473	5,468,488	8,197,961
Restricted Net Position			
Debt Service	241,605	-	241,605
Special Revenue Funds	1,676,450	-	1,676,450
Unrestricted Net Position	<u>(1,279,722)</u>	<u>(32,248)</u>	<u>(1,311,970)</u>
Total Net Position	<u>\$ 3,367,806</u>	<u>\$ 5,436,240</u>	<u>\$ 8,804,046</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.	12/31/2018 F.E.L.P.S.
\$ 278,900	\$ 2,392,363	\$ 20,746,639
-	-	-
-	-	1,789,684
72,807	145,613	-
-	-	-
-	-	-
5,940	-	1,601,024
-	6,405	257,962
920,020	384,475	214,000
-	-	-
-	-	180,000
-	-	56,383,038
-	1,228,008	-
-	65,012	-
-	11,411	-
-	-	-
-	-	21,230,643
<u>1,277,667</u>	<u>4,233,287</u>	<u>102,402,990</u>
<u>15,913</u>	<u>13,041</u>	<u>494,151</u>
-	35,527	3,491,590
24,314	56,001	277,658
796,358	295,173	43,802
11,820	-	949,300
782	-	338,832
50,000	144,200	2,265,000
811,950	2,081,443	39,390,227
52,111	42,865	12,446,345
-	-	-
<u>1,747,335</u>	<u>2,655,209</u>	<u>59,202,754</u>
<u>6,614</u>	<u>4,637</u>	<u>779,549</u>
920,020	1,612,483	34,300,805
-	-	2,569,292
-	-	-
<u>(1,380,389)</u>	<u>(26,001)</u>	<u>6,044,741</u>
<u>\$ (460,369)</u>	<u>\$ 1,586,482</u>	<u>\$ 42,914,838</u>

CITY OF FLORESVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
SEPTEMBER 30, 2018

FINAL DRAFT

		PROGRAM REVENUES		
FUNCTIONS AND PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government				
<u>Governmental Activities</u>				
Administration	\$ (1,116,469)	\$ 60,685	\$ 456,086	\$ -
Municipal Court	(274,110)	226,994	-	-
Police Department	(1,946,720)	61,847	1,700	25,250
Fire Department	(67,450)	-	-	-
Streets Department	(708,761)	-	-	-
Parks and Recreation	(455,341)	84,322	-	-
Service Department	(257,500)	-	-	-
Pool Department	(137,917)	56,354	-	-
Mayor and Council	(51,043)	-	-	-
Development Department	(352,711)	241,970	-	-
Interest on Long Term Debt	<u>(291,258)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>(5,659,280)</u>	<u>732,172</u>	<u>457,786</u>	<u>25,250</u>
<u>Business-Type Activities</u>				
Water	(1,285,061)	2,129,622	-	-
Sewer	(1,303,598)	1,617,413	-	1,278,851
Refuse	(918,222)	1,108,881	-	-
Cemetery	<u>(68,164)</u>	<u>12,800</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>(3,575,045)</u>	<u>4,868,716</u>	<u>-</u>	<u>1,278,851</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (9,234,325)</u>	<u>\$ 5,600,888</u>	<u>\$ 457,786</u>	<u>\$ 1,304,101</u>
Component Units				
Floresville 4A Corp.	\$ (987,299)	\$ 130,952	\$ -	\$ -
Floresville E.D.C.	(465,413)	-	-	-
F.E.L.P.S.	<u>(36,394,954)</u>	<u>39,863,943</u>	<u>-</u>	<u>469,943</u>
TOTAL COMPONENT UNITS	<u>\$ (37,847,666)</u>	<u>\$ 39,994,895</u>	<u>\$ -</u>	<u>\$ 469,943</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

Restatement of Net Position

Cash Distributions to Cities

NET POSITION AT BEGINNING OF YEAR - AS RESTATED

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.	12/31/2018 F.E.L.P.S.
\$ (599,698)	\$ -	\$ (599,698)			
(47,116)	-	(47,116)			
(1,857,923)	-	(1,857,923)			
(67,450)	-	(67,450)			
(708,761)	-	(708,761)			
(371,019)	-	(371,019)			
(257,500)	-	(257,500)			
(81,563)	-	(81,563)			
(51,043)	-	(51,043)			
(110,741)	-	(110,741)			
(291,258)	-	(291,258)			
(4,444,072)	-	(4,444,072)			
-	844,561	844,561			
-	1,592,666	1,592,666			
-	190,659	190,659			
-	(55,364)	(55,364)			
-	2,572,522	2,572,522			
(4,444,072)	2,572,522	(1,871,550)			
			\$ (856,347)	\$ -	\$ -
			-	(465,413)	-
			-	-	3,938,932
			(856,347)	(465,413)	3,938,932
1,409,290	-	1,409,290	-	-	-
2,366,638	-	2,366,638	424,529	849,058	-
807,894	-	807,894	-	-	-
24,679	360	25,039	-	623	211,673
14,222	-	14,222	3,006	4,252	1,334,929
950,000	(950,000)	-	150,000	-	-
5,572,723	(949,640)	4,623,083	577,535	853,933	1,546,602
1,128,651	1,622,882	2,751,533	(278,812)	388,520	5,485,534
2,085,269	4,842,720	6,927,989	(181,557)	1,197,962	38,593,789
153,886	(1,029,362)	(875,476)	-	-	-
-	-	-	-	-	1,164,485
2,239,155	3,813,358	6,052,513	(181,557)	1,197,962	37,429,304
\$ 3,367,806	\$ 5,436,240	\$ 8,804,046	\$ (460,369)	\$ 1,586,482	\$ 42,914,838

CITY OF FLORESVILLE, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

FINAL DRAFT

	GENERAL FUND	DEBT SERVICE FUND	STREET MAINTENANCE TAX	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 25,908	\$ -	\$ -	\$ 223	\$ 388,334	\$ 414,465
Receivables - Net of Allowances for Uncollectibles						
Property Taxes	51,642	61,480	-	-	-	113,122
Other	56,047	-	-	-	23,847	79,894
Due from Other Funds	-	227,540	-	229,797	279,937	737,274
Due from Component Units	-	14,161	1,077,370	-	-	1,091,531
Due from Other Governments	293,920	-	72,807	-	-	366,727
Prepaid Expenditures	<u>32,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334</u>	<u>33,090</u>
 TOTAL ASSETS	 <u>\$ 460,273</u>	 <u>\$ 303,181</u>	 <u>\$ 1,150,177</u>	 <u>\$ 230,020</u>	 <u>\$ 692,452</u>	 <u>\$ 2,836,103</u>
<u>LIABILITIES</u>						
Accounts Payable	114,987	\$ 96	8,819	\$ 4,967	\$ 603	\$ 129,472
Accrued Liabilities	71,736	-	-	-	-	71,736
Unearned Revenue	-	-	-	-	25,415	25,415
Due to Other Governments	1,183	-	-	-	-	1,183
Due to Others Funds	<u>523,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,560</u>	<u>676,703</u>
 Total Liabilities	 <u>711,049</u>	 <u>96</u>	 <u>8,819</u>	 <u>4,967</u>	 <u>179,578</u>	 <u>904,509</u>
<u>Deferred Inflows of Resources</u>						
Deferred Revenues - Taxes	51,642	61,480	-	-	-	113,122
Deferred Revenues - Warrants	<u>55,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,841</u>
 Total Deferred Inflows of Resources	 <u>107,483</u>	 <u>61,480</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>168,963</u>
<u>FUND BALANCES</u>						
Nonspendable	32,756	-		3,660	-	36,416
Restricted:						
Debt Service	-	241,605		-	-	241,605
Special Revenue	-	-	1,141,358	-	535,092	1,676,450
Capital Projects	-	-		221,393	-	221,393
Unassigned	<u>(391,015)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,218)</u>	<u>(413,233)</u>
Total Fund Balances	<u>(358,259)</u>	<u>241,605</u>	<u>1,141,358</u>	<u>225,053</u>	<u>512,874</u>	<u>1,762,631</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 460,273</u>	 <u>\$ 303,181</u>	 <u>\$ 1,150,177</u>	 <u>\$ 230,020</u>	 <u>\$ 692,452</u>	 <u>\$ 2,836,103</u>

CITY OF FLORESVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

FINAL DRAFT

Total fund balance-total governmental funds	\$ 1,762,631
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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.	11,369,050
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Property taxes and warrant receivables unavailable to pay current expenses are deferred in the funds.	168,963
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Other long-term receivables are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	935,643
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Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.	(189,442)
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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 Postemployment Benefits (OPEB)	(14,565)
Net Pension Liability, Deferred Outflows and Inflows (TMRS)	(842,558)
Bonds Payable and Other Long-term Debt	(9,796,613)

Accrued interest payable on bonded debt is not reported in the funds.	<u>(25,303)</u>
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Total net position of governmental activities	<u>\$ 3,367,806</u>
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CITY OF FLORESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

	GENERAL FUND	DEBT SERVICE FUND	STREET MAINTENANCE TAX	CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Property Taxes	\$ 532,419	\$ 885,852	\$ -	\$ -	\$ -	\$ 1,418,271
Sales and Other Taxes	1,707,995	-	423,504	-	235,139	2,366,638
Franchise Fees	807,894	-	-	-	-	807,894
Licenses, Permits, Fees and Fines	584,129	-	-	-	92,203	676,332
Miscellaneous	14,222	-	-	-	-	14,222
Grants and Contributions	37,822	522,214	-	-	-	560,036
Interest	8	-	-	24,636	35	24,679
Total Revenues	<u>3,684,489</u>	<u>1,408,066</u>	<u>423,504</u>	<u>24,636</u>	<u>327,377</u>	<u>5,868,072</u>
<u>EXPENDITURES</u>						
Administration	727,305	-	-	5,780	307,489	1,040,574
Municipal Court	255,585	-	-	-	-	255,585
Police Department	1,818,409	-	-	-	13,946	1,832,355
Fire Department	63,000	-	-	-	-	63,000
Streets Department	597,668	-	61,480	-	-	659,148
Parks and Recreation	403,970	-	-	-	19,382	423,352
Service Department	248,248	-	-	-	-	248,248
Pool Department	120,750	-	-	-	-	120,750
Mayor and Council	47,706	-	-	-	-	47,706
Development Department	328,265	-	-	-	-	328,265
Capital Outlay	-	-	-	2,109,413	54,071	2,163,484
Debt Service:						
Principal	26,766	949,810	-	-	-	976,576
Interest	841	327,647	-	-	-	328,488
Total Expenditures	<u>4,638,513</u>	<u>1,277,457</u>	<u>61,480</u>	<u>2,115,193</u>	<u>394,888</u>	<u>8,487,531</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(954,024)</u>	<u>130,609</u>	<u>362,024</u>	<u>(2,090,557)</u>	<u>(67,511)</u>	<u>(2,619,459)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	700,000	-	-	300,000	-	1,000,000
Transfers Out	-	-	-	-	(50,000)	(50,000)
Total Other Financing Sources (Uses)	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>(50,000)</u>	<u>950,000</u>
Net Change in Fund Balances	(254,024)	130,609	362,024	(1,790,557)	(117,511)	(1,669,459)
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>(104,235)</u>	<u>110,996</u>	<u>779,334</u>	<u>2,015,610</u>	<u>630,385</u>	<u>3,432,090</u>
FUND BALANCES - END OF YEAR	<u>\$ (358,259)</u>	<u>\$ 241,605</u>	<u>\$ 1,141,358</u>	<u>\$ 225,053</u>	<u>\$ 512,874</u>	<u>\$ 1,762,631</u>

CITY OF FLORESVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

Net change in fund balances-governmental funds \$ (1,669,459)

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

Governmental funds report capital outlays as expenditures (\$2,163,484). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$354,536). This is the amount by which capital outlays exceeded depreciation expense in the current period. 1,808,948

Property tax and warrant revenues are deferred in governmental activities because they do not provide current financial resources and are not deferred in the statement of activities. This is the change in deferred from the prior year. 46,860

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. 949,810

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 a debt service expenditure in the funds and reported as a liability in the statement of net position. 26,766

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). 1,987

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 2018. 24,575

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. (33,329)

Recognition of the City's other postemployment benefits (OPEB) liability required by GASB Statement No. 75. 14,250

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. (77,000)

Change in net position of governmental activities \$ 1,128,651

CITY OF FLORESVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

FINAL DRAFT

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	TOTALS
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 291,511	\$ 455,463	\$ -	\$ -	\$ 746,974
Accounts Receivable, Net of Allowance for Uncollectibles	341,429	252,198	177,619	-	771,246
Other Receivables	-	341	-	817	1,158
Due from Other Funds	176,189	-	-	31,791	207,980
Prepays	7,213	6,000	-	-	13,213
Total Current Assets	<u>816,342</u>	<u>714,002</u>	<u>177,619</u>	<u>32,608</u>	<u>1,740,571</u>
<u>CAPITAL ASSETS</u>					
Land, System, Buildings, and Equipment	6,742,467	4,532,991	-	52,926	11,328,384
Construction in Progress	<u>2,186,884</u>	<u>8,108,537</u>	<u>-</u>	<u>-</u>	<u>10,295,421</u>
Totals	8,929,351	12,641,528	-	52,926	21,623,805
Less: Accumulated Depreciation	<u>(4,563,528)</u>	<u>(3,134,098)</u>	<u>-</u>	<u>(36,381)</u>	<u>(7,734,007)</u>
Net Capital Assets	<u>4,365,823</u>	<u>9,507,430</u>	<u>-</u>	<u>16,545</u>	<u>13,889,798</u>
 TOTAL ASSETS	 <u>5,182,165</u>	 <u>10,221,432</u>	 <u>177,619</u>	 <u>49,153</u>	 <u>15,630,369</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension Related Deferred Outflows	<u>77,288</u>	<u>45,194</u>	<u>-</u>	<u>-</u>	<u>122,482</u>
<u>LIABILITIES</u>					
<u>CURRENT LIABILITIES</u>					
Accounts Payable	103,459	498,705	77,220	-	679,384
Accrued Liabilities	436,099	9,020	11,709	-	456,828
Accrued Interest Payable	435	11,426	-	-	11,861
Customer Deposits	1,200	-	-	-	1,200
Due to Other Funds	-	199,898	68,653	-	268,551
Current Maturities of Compensated Absences	10,923	837	-	-	11,760
Current Maturities of Long-Term Debt	<u>88,380</u>	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>220,380</u>
Total Current Liabilities	<u>640,496</u>	<u>851,886</u>	<u>157,582</u>	<u>-</u>	<u>1,649,964</u>
<u>NONCURRENT LIABILITIES</u>					
Accrued Compensated Absences	32,768	2,512	-	-	35,279
OPEB Liability	2,927	2,193	-	-	5,120
Net Pension Liability	225,633	162,977	-	-	388,610
Long-Term Debt	<u>1,089,930</u>	<u>7,111,000</u>	<u>-</u>	<u>-</u>	<u>8,200,930</u>
Total Noncurrent Liabilities	<u>1,351,258</u>	<u>7,278,682</u>	<u>-</u>	<u>-</u>	<u>8,629,939</u>
 TOTAL LIABILITIES	 <u>1,991,753</u>	 <u>8,130,568</u>	 <u>157,582</u>	 <u>-</u>	 <u>10,279,903</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension Related Deferred Inflows	<u>5,559</u>	<u>31,149</u>	<u>-</u>	<u>-</u>	<u>36,708</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	3,187,513	2,264,430	-	16,545	5,468,488
Unrestricted	<u>74,628</u>	<u>(159,521)</u>	<u>20,037</u>	<u>32,608</u>	<u>(32,248)</u>
Total Net Position	<u>\$ 3,262,141</u>	<u>\$ 2,104,909</u>	<u>\$ 20,037</u>	<u>\$ 49,153</u>	<u>\$ 5,436,240</u>

CITY OF FLORESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	TOTALS
<u>OPERATING REVENUES</u>					
Water Sales, Penalties, and Connection Fees	\$ 2,126,587	\$ -	\$ -	\$ -	\$ 2,126,587
Sewer Sales, Penalties, and Connection Fees	-	1,617,413	-	-	1,617,413
Refuse Collection Fees and Penalties	-	-	1,108,881	-	1,108,881
Sale of Cemetery Lots	-	-	-	12,800	12,800
Miscellaneous	3,035	-	-	-	3,035
Total Operating Revenues	<u>2,129,622</u>	<u>1,617,413</u>	<u>1,108,881</u>	<u>12,800</u>	<u>4,868,716</u>
<u>OPERATING EXPENSES</u>					
Personnel Costs	639,272	551,614	-	-	1,190,886
General and Administrative Expenses	175,250	96,242	-	-	271,492
Repairs and Maintenance	194,147	181,035	-	-	375,182
Utilities	114,491	79,708	-	-	194,199
Disposal Fees and Sampling Costs	13,684	163,380	918,222	-	1,095,286
Chemicals	17,529	35,381	-	-	52,910
Liability Insurance	19,744	150	-	-	19,894
Other Operating Expenses	-	616	-	65,231	65,847
Depreciation	103,467	82,551	-	2,933	188,951
Total Operating Expenses	<u>1,277,584</u>	<u>1,190,677</u>	<u>918,222</u>	<u>68,164</u>	<u>3,454,647</u>
Operating Income (Loss)	<u>852,038</u>	<u>426,736</u>	<u>190,659</u>	<u>(55,364)</u>	<u>1,414,069</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Grant Revenue	-	1,278,851	-	-	1,278,851
Interest Income	156	204	-	-	360
Interest and Fiscal Charges	(7,477)	(112,921)	-	-	(120,398)
Total Nonoperating Revenues (Expenses)	<u>(7,321)</u>	<u>1,166,134</u>	<u>-</u>	<u>-</u>	<u>1,158,813</u>
Net Income (Loss) before Transfers	844,717	1,592,870	190,659	(55,364)	2,572,882
Transfers Out	<u>(500,000)</u>	<u>(200,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>(950,000)</u>
Change in Net Position	344,717	1,392,870	(59,341)	(55,364)	1,622,882
<u>NET POSITION AT BEGINNING OF YEAR</u>	<u>2,882,720</u>	<u>1,776,105</u>	<u>79,378</u>	<u>104,517</u>	<u>4,842,720</u>
RESTATEMENT OF NET POSITION	<u>34,704</u>	<u>(1,064,066)</u>	<u>-</u>	<u>-</u>	<u>(1,029,362)</u>
<u>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</u>	<u>2,917,424</u>	<u>712,039</u>	<u>79,378</u>	<u>104,517</u>	<u>3,813,358</u>
NET POSITION AT END OF YEAR	<u>\$ 3,262,141</u>	<u>\$ 2,104,909</u>	<u>\$ 20,037</u>	<u>\$ 49,153</u>	<u>\$ 5,436,240</u>

CITY OF FLORESVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	TOTALS
	WATER	SEWER	REFUSE	CEMETERY	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Payments Received from Customers	\$ 2,019,999	\$ 1,574,101	\$ 1,095,432	\$ 12,800	\$ 4,702,332
Payments to Suppliers for Goods and Services	(532,474)	(1,198,755)	(917,922)	(66,666)	(2,715,817)
Payments for Salaries and Benefits	(271,398)	(517,486)	-	-	(788,884)
Net Cash Provided by (Used in) Operating Activities	<u>1,216,127</u>	<u>(142,140)</u>	<u>177,510</u>	<u>(53,866)</u>	<u>1,197,631</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Net Debt Issued for Purchase of Capital Assets	1,067,000	-	-	-	1,067,000
Payment on Long-term Debt	(26,190)	(130,000)	-	-	(156,190)
Proceeds from Capital Grant	-	1,550,337	-	-	1,550,337
Interest Payment from Long-term Debt	(7,477)	(112,921)	-	-	(120,398)
Acquisition of Capital Assets	(1,689,540)	(4,151,781)	-	-	(5,841,321)
Net Cash Used in Capital and Related Financing Activities	<u>(656,207)</u>	<u>(2,844,365)</u>	<u>-</u>	<u>-</u>	<u>(3,500,572)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers to Other Funds	(426,239)	14,261	(181,347)	(31,791)	(625,116)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(426,239)</u>	<u>14,261</u>	<u>(181,347)</u>	<u>(31,791)</u>	<u>(625,116)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Received	<u>156</u>	<u>204</u>	<u>-</u>	<u>-</u>	<u>360</u>
Net Increase (Decrease) in Cash and Cash Equivalents	133,837	(2,972,040)	(3,837)	(85,657)	(2,927,697)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>157,674</u>	<u>3,427,503</u>	<u>3,837</u>	<u>85,657</u>	<u>3,674,671</u>
 CASH AND CASH EQUIVALENTS - ENDING	 <u>\$ 291,511</u>	 <u>\$ 455,463</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 746,974</u>

CITY OF FLORESVILLE, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	MAJOR FUNDS			NONMAJOR FUND	
	WATER	SEWER	REFUSE	CEMETERY	TOTALS
<u>RECONCILIATION OF OPERATING INCOME TO</u>					
<u>NET CASH PROVIDED BY (USED IN) OPERATING</u>					
<u>ACTIVITIES</u>					
Operating Income (loss)	\$ 852,038	\$ 426,736	\$ 190,659	\$ (55,364)	\$ 1,414,069
Depreciation	103,467	82,551	-	2,933	188,951
(Increase) Decrease in Assets:					
Accounts Receivable	(109,548)	(43,312)	(13,449)	-	(166,309)
Prepaid	(7,213)	(6,000)	-	-	(13,213)
Increase (Decrease) in Liabilities:					
Accounts Payable	9,584	(636,244)	95	(1,435)	(628,000)
Accrued Expenses	406,295	2,410	205	-	408,910
Customer Deposits	(75)	-	-	-	(75)
Net Pension Liability	(40,009)	30,036	-	-	(9,973)
OPEB Liability	<u>1,588</u>	<u>1,683</u>	<u>-</u>	<u>-</u>	<u>3,271</u>
 NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES	<u>\$ 1,216,127</u>	<u>\$ (142,140)</u>	<u>\$ 177,510</u>	<u>\$ (53,866)</u>	<u>\$ 1,197,631</u>
 <u>Schedule of Noncash Activities</u>					
Actuarially Determined Change in					
Net Pension Liability	\$ (41,125)	\$ (13,580)	\$ -	\$ -	\$ (54,705)
Other Postemployment Benefit Liability	\$ 1,588	\$ 1,683	\$ -	\$ -	\$ 3,271

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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.

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.

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, 2017, and became due October 1, 2017 have been assessed to finance the budget of the fiscal year beginning October 1, 2017 and, accordingly, have been reflected as deferred inflows of resources and taxes receivable in the fund financial statement at September 30, 2018.

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

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

The government reports the following major governmental funds:

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

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

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

The capital projects fund is used to account for the proceeds of the Tax Note debt issued to pay for future city hall improvements, 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.

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.

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, 2017 and past due after January 31, 2018. 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.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with total general fund expenditures exceeding the approved budget by \$18,616. 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.

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, 2018, of \$47,039 and \$189,442 has been recorded in accrued liabilities of the business-type activities 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.

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.

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance

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

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

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

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.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Other Postemployment Benefits

During the fiscal year 2018, the City changed accounting policies related to the other postemployment benefit (OPEB) liability in the statement of net position by adopting GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. Accordingly, the effect of the accounting change is reported in the statement of net position and statement of activities for the current year. The OPEB position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability and OPEB expense.

NOTE 2—CASH AND CASH EQUIVALENTS

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

A. Cash

At September 30, 2018, the carrying amount of the primary government’s (the City) cash on hand was \$1,048, deposits in the bank were \$762,625 and the book balance was \$623,216. The City’s cash was fully collateralized.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

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.

NOTE 2—CASH AND CASH EQUIVALENTS

B. Investments (Continued)

The City's cash and cash equivalents 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	623,216	n/a	n/a
Texas CLASS (valued at NAV)	<u>537,175</u>	0.21	AAAm
Total Cash and Cash Equivalents	<u>\$ 1,161,439</u>		

NOTE 3—RECEIVABLES

A. Other Receivables

Other receivables consist of the following:

	Amount	Allowance for Doubtful	Net Receivable
<u>Government Funds</u>			
Property Taxes	\$ 198,469	\$ (85,347)	\$ 113,122
Other Governments	366,727	-	366,727
Outstanding Warrants	111,681	(55,841)	55,840
Accounts	<u>24,451</u>	<u>(397)</u>	<u>24,054</u>
Total Government Funds	<u>\$ 701,328</u>	<u>\$ (141,585)</u>	<u>\$ 559,743</u>
<u>Enterprise Funds</u>			
Utility	\$ 816,960	\$ (45,714)	\$ 771,246
Vendor Refunds	<u>1,158</u>	<u>-</u>	<u>1,158</u>
Total Enterprise Funds	<u>\$ 818,118</u>	<u>\$ (45,714)</u>	<u>\$ 772,404</u>

NOTE 3—RECEIVABLES (CONTINUED)

B. Notes Receivable

Notes receivable consist of amounts due from the Floresville EDC in the amount of \$935,643. These notes are a result of an Interlocal Agreement whereby the Floresville EDC has 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>
2019	\$ 79,200
2020	83,600
2021	88,000
2022	92,400
2023	96,800
2024-2028	<u>495,643</u>
	<u>\$ 935,643</u>

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

NOTE 4—PROPERTY TAX CALENDAR

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

Property taxes are recorded as receivables and deferred inflow of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts collected within 60 days of the end of the fiscal year are recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

FINAL DRAFT

NOTE 5—INTERFUND TRANSACTIONS

Transfers consisted of the following:

	<u>AMOUNT</u>	<u>PURPOSE</u>
Transfers to the General Fund consisted of the following:		
Hotel/Motel Fund	\$ 50,000	Program supplement
Water Fund	200,000	Program supplement
Sewer Fund	200,000	Program supplement
Refuse Fund	<u>250,000</u>	Program supplement
GENERAL FUND TOTALS	<u>700,000</u>	
Transfers to the Capital Projects Fund consisted of the following:		
Water Fund	<u>300,000</u>	Program supplement
TOTALS	<u>\$ 1,000,000</u>	

The composition of Due To and Due From other funds as of September 30, 2018 is as follows due to the pooling of cash activity:

	<u>Due From Other Funds/ Component Units</u>	<u>Due To Other Funds/ Component Units</u>
General Fund	\$ -	\$ (523,143)
Debt Service Fund	241,701	-
Street Maintenance Fund	1,077,370	-
Capital Projects Fund	229,797	-
Other Non-Major Funds	279,937	(153,560)
Water Fund	176,189	-
Sewer Fund	-	(199,898)
Refuse Fund	-	(68,653)
Cemetery Fund	31,791	-
<u>Component Units</u>		
Floresville 4A Corporation	-	(796,358)
Floresville E.D.C.	<u>-</u>	<u>(295,173)</u>
	<u>\$ 2,036,785</u>	<u>\$ (2,036,785)</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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NOTE 6—CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>BALANCE</u> <u>9/30/2017</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2018</u>
Assets Not Being Depreciated:				
Land	\$ 719,179	\$ -	\$ -	\$ 719,179
Construction in progress	<u>2,004,898</u>	<u>844,347</u>	<u>(382,827)</u>	<u>2,466,418</u>
Total Assets Not Being Depreciated	2,724,077	844,347	(382,827)	3,185,597
Assets Being Depreciated:				
Buildings	6,653,948	1,003,247	378,967	8,036,162
Property, Plant and Equipment	4,989,842	187,465	-	5,177,307
Infrastructure	<u>2,199,952</u>	<u>128,425</u>	<u>3,860</u>	<u>2,332,237</u>
Total Assets Being Depreciated	13,843,742	1,319,137	382,827	15,545,706
Less Accumulated Depreciation:				
Buildings	(1,605,150)	(180,597)	-	(1,785,747)
Property, Plant and Equipment	(4,026,339)	(118,940)	-	(4,145,279)
Infrastructure	<u>(1,376,228)</u>	<u>(54,999)</u>	<u>-</u>	<u>(1,431,227)</u>
Total Accumulated Depreciation	(7,007,717)	(354,536)	-	(7,362,253)
Assets Being Depreciated, Net	<u>6,836,025</u>	<u>964,601</u>	<u>382,827</u>	<u>8,183,453</u>
Total Capital Assets, Net	<u>\$ 9,560,102</u>	<u>\$ 1,808,948</u>	<u>\$ -</u>	<u>\$ 11,369,050</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 73,505
Municipal Court	18,054
Police Department	129,436
Fire Department	4,450
Streets Department	46,562
Parks and Recreation	29,905
Service Department	8,530
Pool Department	17,536
Community Development	23,188
Mayor and Council	<u>3,370</u>
	<u>\$ 354,536</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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NOTE 6—CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended September 30, 2018, was as follows:

<u>Business-type Activities:</u>	<u>BALANCE</u> <u>9/30/2017</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ DISPOSALS</u>	<u>BALANCE</u> <u>9/30/2018</u>
Assets Not Being Depreciated:				
Land	\$ 58,155	\$ -	\$ -	\$ 58,155
Construction in Progress	5,175,310	5,437,363	(317,252)	10,295,421
Total Assets Not Being Depreciated	5,233,465	5,437,363	(317,252)	10,353,576
Assets Being Depreciated:				
Property, Plant and Equipment	6,905,518	174,211	-	7,079,729
Infrastructure	3,643,501	229,747	317,252	4,190,500
Total Assets Being Depreciated	10,549,019	403,958	317,252	11,270,229
Less Accumulated Depreciation:				
Property, Plant and Equipment	(3,901,555)	(188,951)	-	(4,090,506)
Infrastructure	(3,643,501)	-	-	(3,643,501)
Total Accumulated Depreciation	(7,545,056)	(188,951)	-	(7,734,007)
Total Assets Being Depreciated, Net	3,003,963	215,007	317,252	3,536,222
Total Capital Assets, Net	<u>\$ 8,237,428</u>	<u>\$ 5,652,370</u>	<u>\$ -</u>	<u>\$ 13,889,798</u>

NOTE 7—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2018 were comprised of the following:

<u>Governmental Activities:</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Additions</u>	<u>Refunded or</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2018</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligation-Series 2008					
Original amount of \$8,500,000					
Interest Rate 3.91%	\$ 2,430,000	\$ -	\$ (175,000)	\$ 2,255,000	\$ 180,000
General Obligation Refunding Bonds,					
Series 2015, Interest Rate 2.0% to 4.0%	5,105,000	-	(320,000)	4,785,000	330,000
Premium on GO Refunding Bonds,					
Series 2015	458,166	-	(35,243)	422,923	35,243
Tax Note Series 2015, Original amount					
of \$1,250,000, Interest Rate 1.74%	283,500	-	(54,810)	228,690	55,620
Tax Note Series 2016, Original amount					
of \$2,505,000, Interest Rate 1.61%	2,505,000	-	(400,000)	2,105,000	410,000
Subtotal Bonds and Notes	10,781,666	-	(985,053)	9,796,613	1,010,863
Capital Lease-Government Capital	26,766	-	(26,766)	-	-
	10,808,432	-	(1,011,819)	9,796,613	1,010,863
Compensated Absences	214,017	82,434	(107,009)	189,442	47,360
Total	<u>\$ 11,022,449</u>	<u>\$ 82,434</u>	<u>\$ (1,118,828)</u>	<u>\$ 9,986,055</u>	<u>\$ 1,058,223</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

FINAL DRAFT

NOTE 7—LONG-TERM DEBT (CONTINUED)

<u>Business-type Activities:</u>	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 9/30/2018</u>	<u>Due Within One Year</u>
Tax Note Series 2015, Original amount of \$1,250,000, Interest Rate 1.74% Waterworks Fund	\$ 137,500	\$ -	\$ (26,190)	\$ 111,310	\$ 27,380
Utility System Revenue Bond, Series 2017 Water Fund	-	1,067,000	-	\$ 1,067,000	61,000
Utility System Revenue Bond, Series 2016 Sewer Fund	7,373,000	-	(130,000)	7,243,000	132,000
Compensated Absences	67,173	13,453	(33,587)	47,039	11,760
Total	<u>\$ 7,577,673</u>	<u>\$ 1,080,453</u>	<u>\$ (189,777)</u>	<u>\$ 8,468,349</u>	<u>\$ 232,140</u>
<u>Component Unit Activities - 4A:</u>	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Refunded or Payments</u>	<u>Balance 9/30/2018</u>	<u>Due Within One Year</u>
Sales Tax Rev. Refunding Bonds, Series 2017, Original amount of \$905,000, Interest Rate 2.88%	\$ 905,000	\$ -	\$ (50,000)	\$ 855,000	\$ 50,000
Total	<u>\$ 905,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 855,000</u>	<u>\$ 50,000</u>
<u>Component Unit Activities - FEDC:</u>	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Refunded or Payments</u>	<u>Balance 9/30/2018</u>	<u>Due Within One Year</u>
Certificates of Obligation-Series 2008 Original amount of \$1,500,000 Interest Rate 3.91%	\$ 1,012,643	\$ -	\$ (77,000)	\$ 935,643	\$ 79,200
Sales Tax Revenue Bonds, Series 2017, Original amount of \$1,430,000, Interest Rate 2.63%	1,355,000	-	(65,000)	1,290,000	65,000
Total	<u>\$ 2,367,643</u>	<u>\$ -</u>	<u>\$ (142,000)</u>	<u>\$ 2,225,643</u>	<u>\$ 144,200</u>

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

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2018, including interest payments, are as follows:

Year Ended September 30,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 975,620	\$ 303,641	\$ 1,279,261	\$ 220,380	\$ 137,743	\$ 358,123
2020	1,001,700	279,134	1,280,834	224,300	135,157	359,457
2021	1,027,780	253,837	1,281,617	228,220	131,785	360,005
2022	1,053,590	227,749	1,281,339	233,410	128,726	362,136
2023	1,025,000	200,877	1,225,877	209,000	125,606	334,606
2024-2028	3,335,000	598,513	3,933,513	1,108,000	587,518	1,695,518
2029-2033	955,000	57,600	1,012,600	1,224,000	513,723	1,737,723
2034-2038	-	-	-	908,000	433,156	1,341,156
2039-2043	-	-	-	996,000	344,749	1,340,749
2044-2048	-	-	-	1,095,000	247,771	1,342,771
2049-2053	-	-	-	1,200,000	141,046	1,341,046
2054-2058	-	-	-	775,000	29,245	804,245
Totals	<u>\$ 9,373,690</u>	<u>\$ 1,921,348</u>	<u>\$ 11,295,038</u>	<u>\$ 8,421,310</u>	<u>\$ 2,956,225</u>	<u>\$ 11,377,535</u>

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

FINAL DRAFT

NOTE 7—LONG-TERM DEBT (CONTINUED)

Year Ended September 30,	COMPONENT UNIT ACTIVITIES - 4A			COMPONENT UNIT ACTIVITIES - FEDC		
	Principal	Interest	Total	Principal	Interest	Total
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	57,000	17,755	74,755	166,800	51,281	218,081
2024-2028	308,000	62,985	370,985	995,643	163,713	1,159,356
2029-2032	280,000	16,416	296,416	450,000	18,023	468,023
Totals	\$ 855,000	\$ 183,786	\$ 1,038,786	\$ 2,225,643	\$ 490,690	\$ 2,716,333

NOTE 8- SUBSTANTIAL DOUBT ABOUT THE CITY'S ABILITY TO CONTINUE AS A GOING CONCERN AND MANAGEMENT PLANS

Over the past 5 years, the City's General Fund has budgeted for and operated a negative change in fund balance, excluding transfers from other funds. The transfers from other funds have been budgeted in compliance with accounting principles generally accepted in the United States of America; however, this is an indication that the general fund is relying on other fund's resources including the borrowing of cash from restricted funds for its operations. During the fiscal year, the General Fund experienced a negative change in fund balance by (\$254,024) , after transfers from other funds, resulting in a fund deficit of (\$358,259) as of September 30, 2018.

As a result of the deficit 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 to return the City to financial stability, improve the efficiency and effectiveness of operations, and 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, and monitoring on all required actions and metrics to ensure progress (execution).

NOTE 9— FUND BALANCE AND NET POSITION DEFICITS

The General Fund had a fund deficit at year end of (\$358,259). The Municipal Court Technology Fund and the State Forfeitures fund also had deficit fund balances at the end of the year of (\$3,002) and (\$19,216), 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.

Due to increase in capital expenditures from capital contributions in 2018, the City's governmental activities experienced an increase in the deficit unrestricted net position from (\$1,218,424) to (\$1,279,722). The City believes future funding and balanced budgeting will bring the unassigned net position out of its deficit.

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM

Plan Description - The City participates as one of 883 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

Benefits Provided Continued

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>65</u>
Total	<u>124</u>

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 10.69% and 10.48% for calendar years 2018 and 2017 respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$359,332, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2017, 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, 2017 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation.

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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).

The target allocation and best estimates of arithmetic of real rates of return for each major asset class in fiscal year 2018 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	<u>100.0%</u>	

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.

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 6,947,721	\$ 5,157,560	\$ 1,790,161
Changes for the year:			
Service Cost	370,247	-	370,247
Interest	471,143	-	471,143
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	108,317	-	108,317
Changes of Assumptions	-	-	-
Contributions - Employer	-	332,178	(332,178)
Contributions - Employee	-	158,497	(158,497)
Net Investment Income	-	715,203	(715,203)
Benefit Payments, Including Refunds of Employee Contributions	(305,896)	(305,896)	-
Administrative Expense	-	(3,705)	3,705
Other Changes	-	(188)	188
Net Changes	<u>643,811</u>	<u>896,089</u>	<u>(252,278)</u>
Balance at December 31, 2017	<u>\$ 7,591,532</u>	<u>\$ 6,053,649</u>	<u>\$ 1,537,883</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	\$ <u>2,700,789</u>	\$ <u>1,537,883</u>	\$ <u>592,564</u>

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.

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

For the year ended September 30, 2018, the City recognized pension expense of \$385,266.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

FINAL DRAFT

NOTE 10—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At September 30, 2018, 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	\$ 188,292	\$ (1,888)
Changes in Actuarial Assumptions	8,880	-
Difference Between Projected and Actual Investment Earnings	-	(158,380)
Contributions Subsequent to the Measurement Date	278,315	-
Total	<u>\$ 475,487</u>	<u>\$ (160,268)</u>

The City reported \$278,315 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ 95,899
2020	46,221
2021	(38,174)
2022	(67,042)
2023	-
Thereafter	-
Total	<u>\$ 36,904</u>

NOTE 11—OTHER POSTEMPLOYMENT 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 other postemployment benefits (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.

At the September 30, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	2
Active members and beneficiaries	<u>69</u>
Total	<u>71</u>

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The City's total OPEB liability of \$19,685 was measured as of September 30, 2018, and was determined by an actuarial valuation as of September 30, 2018.

Actuarial assumptions and other inputs – the total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary
Salary Scale	3.50%
Discount Rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Mortality	RPH-2014 Total Table with Projection MP-2018
Health Care Cost Trend	Level trend rate of 5.00%
Retiree Contributions	None

The funded status of the City's retiree health care plan is as follows:

MEASUREMENT DATE	FIDUCIARY NET POSITION (a)	TOTAL OPEB LIABILITY (b)	NET OPEB LIABILITY (NOL) (b-a)	FUNDED RATIO (a/b)	ANNUAL COVERED PAYROLL (c)	RATIO OF NOL TO ANNUAL COVERED PAYROLL (b-a)/c
9/30/2018	\$ -	\$ 19,685	\$ 19,685	0.00%	\$ 3,289,649	0.06%

Changes in the Total OPEB Liability

Balance at October 1, 2017	\$ 30,662
Changes for the year:	
Service cost	-
Interest cost	1,002
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(11,979)
Net changes	(10,977)
Balance at September 30, 2018	\$ 19,685

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.06%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate.

1% Decrease in Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
<u>\$ 19,878</u>	<u>\$ 19,685</u>	<u>\$ 19,497</u>

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 5.0%, as well as what the City's total OPEB liability would be if it were calculated using the trend rates that are 1 percentage point lower (4.0%) or 1 percentage point higher (6.0%) than the current trend rate.

1% Decrease in Health Trend Rate (4.0%)	Health Trend Rate (5.0%)	1% Increase in Health Trend Rate (6.0%)
<u>\$ 19,590</u>	<u>\$ 19,685</u>	<u>\$ 19,780</u>

For the year ended September 30, 2018, the City recognized an OPEB expense of \$1,002.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

FINAL DRAFT

NOTE 12—FUND BALANCE CATEGORIES

	General Fund	Debt Service	Street Maintenance Tax	Capital Projects	Other Nonmajor Governmental Funds	Total
Nonspendable	\$ 32,756	\$ -	\$ -	\$ 3,660	\$ -	\$ 36,416
Restricted for:						
Debt Service	-	241,605	-	-	-	241,605
Capital Projects	-	-	-	221,393	-	221,393
Street Maintenance Tax	-	-	1,141,358	-	-	1,141,358
Hotel/Motel Occupancy Tax	-	-	-	-	371,973	371,973
Federal Forfeiture	-	-	-	-	5,596	5,596
LEOSE Funds	-	-	-	-	4,746	4,746
Parks and Recreation	-	-	-	-	130,680	130,680
Municipal Court Building Security	-	-	-	-	18,944	18,944
Child Safety	-	-	-	-	3,153	3,153
	32,756	241,605	1,141,358	225,053	535,092	2,175,864
Unassigned	(391,015)	-	-	-	(22,218)	(413,233)
	<u>\$ (358,259)</u>	<u>\$ 241,605</u>	<u>\$ 1,141,358</u>	<u>\$ 225,053</u>	<u>\$ 512,874</u>	<u>\$ 1,762,631</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 - RESTATEMENT OF FUND BALANCE/NET POSITION

During fiscal year 2018, the City adopted GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". With the adoption of this standard, the City must assume their Other Postemployment Benefit Liability related to the health care for the eligible retirees.

In addition, the City incurred costs (including retainage costs) related to the construction of the sewer plant that were not accrued to the fiscal year ended September 30, 2017.

NOTE 15 – RESTATEMENT OF FUND BALANCE/NET POSITION (CONTINUED)

Below is a table that reflects the changes in the beginning net position:

	Statement of Activities		
	Governmental Activities	Business Type Activities	
		Water	Sewer
October 1, 2017 as previously reported	\$ 2,085,269	\$ 2,882,720	\$ 1,776,105
Adjustments for GASB 75	153,888	34,704	19,195
Adjustments for Construction in Progress	-	-	(864,785)
Adjustments for Retainage Payable	-	-	(218,476)
Net Adjustment	<u>153,888</u>	<u>34,704</u>	<u>(1,064,066)</u>
October 1, 2017 as restated:	<u>\$ 2,239,157</u>	<u>\$ 2,917,424</u>	<u>\$ 712,039</u>

NOTE 16—SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 27, 2019, the date which the financial statements were available to be issued. There are no subsequent events for disclosure.

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, 2018

FINAL DRAFT

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Property Taxes	\$ 593,722	\$ 603,361	\$ 532,419	\$ (70,942)
Sales and Other Taxes	1,407,000	1,682,183	1,707,995	25,812
Franchise Fees	737,000	765,005	807,894	42,889
Licenses, Permits, Fees and Fines	514,500	548,074	584,129	36,055
Miscellaneous	1,000	1,388	14,222	12,834
Contributions	7,000	13,172	37,822	24,650
Interest	-	5	8	3
Total Revenues	3,260,222	3,613,188	3,684,489	71,301
<u>EXPENDITURES</u>				
Administration	761,068	677,120	727,305	(50,185)
Municipal Court	259,636	239,394	255,585	(16,191)
Police Department	1,784,643	1,859,609	1,818,409	41,200
Fire Department	93,000	63,500	63,000	500
Streets Department	509,324	605,357	597,668	7,689
Parks and Recreation	374,521	420,447	403,970	16,477
Service Department	219,807	234,966	248,248	(13,282)
Pool Department	88,559	122,231	120,750	1,481
Mayor and Council	62,000	47,415	47,706	(291)
Development Department	363,903	349,858	328,265	21,593
Debt Service:				
Principal	-	26,596	26,766	(170)
Interest	-	1,012	841	171
Total Expenditures	4,516,461	4,619,897	4,638,513	(18,616)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,256,239)	(1,006,709)	(954,024)	52,685
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	700,000	700,000	700,000	-
Total Other Financing Sources (Uses)	700,000	700,000	700,000	-
Net Change in Fund Balance	(556,239)	(306,709)	(254,024)	52,685
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>(104,235)</u>	<u>(104,235)</u>	<u>(104,235)</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ (660,474)</u>	<u>\$ (410,944)</u>	<u>\$ (358,259)</u>	<u>\$ 52,685</u>

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL ON A
GAAP BASIS - STREET MAINTENANCE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Sales Taxes	\$ 337,000	\$ 337,000	\$ 423,504	\$ 86,504
<u>EXPENDITURES</u>				
Streets Department	337,000	337,000	61,480	275,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	362,024	362,024
<u>FUND BALANCES - BEGINNING OF YEAR</u>	779,334	779,334	779,334	-
FUND BALANCE AT END OF YEAR	<u>\$ 779,334</u>	<u>\$ 779,334</u>	<u>\$ 1,141,358</u>	<u>\$ 362,024</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.

FINAL DRAFT

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service Cost	\$ 211,816	\$ 282,963	\$ 344,928	\$ 370,247
Interest (on the Total Pension Liability)	395,168	401,700	428,521	471,143
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	(206,580)	133,224	132,971	108,317
Change of Assumptions	-	34,740	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(407,263)</u>	<u>(278,060)</u>	<u>(269,387)</u>	<u>(305,896)</u>
Net Change in Total Pension Liability	(6,859)	574,567	637,033	643,811
Total Pension Liability - Beginning	<u>5,742,980</u>	<u>5,736,121</u>	<u>6,310,688</u>	<u>6,947,721</u>
Total Pension Liability - Ending (a)	<u>\$ 5,736,121</u>	<u>\$ 6,310,688</u>	<u>\$ 6,947,721</u>	<u>\$ 7,591,532</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 236,798	\$ 281,096	\$ 293,547	\$ 332,178
Contributions - Employee	108,046	128,854	147,028	158,497
Net Investment Income	249,219	6,699	316,002	715,203
Benefit Payments, Including Refunds of Employee Contributions	(407,263)	(278,060)	(269,387)	(305,896)
Administrative Expense	(2,602)	(4,080)	(3,568)	(3,705)
Other	<u>(214)</u>	<u>(202)</u>	<u>(192)</u>	<u>(188)</u>
Net Change in Plan Fiduciary Net Position	183,984	134,307	483,430	896,089
Plan Fiduciary Net Position - Beginning	<u>4,355,839</u>	<u>4,539,823</u>	<u>4,674,130</u>	<u>5,157,560</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,539,823</u>	<u>\$ 4,674,130</u>	<u>\$ 5,157,560</u>	<u>\$ 6,053,649</u>
Net Pension Liability (a) - (b)	<u>\$ 1,196,298</u>	<u>\$ 1,636,558</u>	<u>\$ 1,790,161</u>	<u>\$ 1,537,883</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.14%	74.07%	74.23%	79.74%
Covered Employee Payroll	\$ 2,160,922	\$ 2,577,073	\$ 2,940,566	\$ 3,169,923
Net Pension Liability as a Percentage of Total Covered Employee Payroll	55.36%	63.50%	60.88%	48.51%

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

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

FINAL DRAFT

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contributions	\$ 263,987	\$ 307,466	\$ 320,911	\$ 359,332
Contributions in Relation to the Actuarially Determined Contributions	<u>263,987</u>	<u>307,466</u>	<u>320,911</u>	<u>359,332</u>
Contribution Deficiency (excess)	-	-	-	-
Covered Employee Payroll	\$ 2,416,901	\$ 3,009,314	\$ 3,095,462	\$ 3,379,080
Contributions as a Percentage of Covered Employee Payroll	10.92%	10.22%	10.37%	10.63%

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

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFIT (OPEB)
LIABILITY - RETIREE HEALTH CARE PLAN
FOR THE FISCAL YEAR ENDED SEPTEMBER 30.*

FINAL DRAFT

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ -
Interest on the Total OPEB Liability	1,002
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Change of Assumptions	-
Benefit Payments	<u>(11,979)</u>
Net Change in Total OPEB Liability	(10,977)
Total OPEB Liability - beginning	<u>30,662</u>
Total OPEB Liability - ending	<u><u>\$ 19,685</u></u>
Covered Payroll	\$ 3,289,649
Total OPEB Liability as a Percentage of Covered Payroll	0.60%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

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 – NET PENSION LIABILITY

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	28 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.

NOTE 3: OPEB REQUIRED SCHEDULE – RETIREE HEALTH PLAN

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary
Salary Scale	3.50%
Discount Rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Mortality	RPH-2014 Total Table with Projection MP-2018
Health Care Cost Trend	Level trend rate of 5.00%
Retiree Contributions	None

OTHER SUPPLEMENTARY INFORMATION

CITY OF FLORESVILLE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

FINAL DRAFT

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 852	\$ 104,869	\$ 45,855	\$ -
Other Receivables, net	-	-	-	4,358
Due from Other Funds	2,301	-	-	126,925
Due from Other Governments	-	-	-	-
Prepaid Expenditures	-	-	-	-
TOTAL ASSETS	<u>\$ 3,153</u>	<u>\$ 104,869</u>	<u>\$ 45,855</u>	<u>\$ 131,283</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 603
Due to Other Funds	-	98,670	40,259	-
Deferred Revenue	-	25,415	-	-
Total Liabilities	<u>-</u>	<u>124,085</u>	<u>40,259</u>	<u>603</u>
<u>FUND BALANCES</u>				
Restricted for Special Revenue	3,153	-	5,596	130,680
Unassigned Deficit Fund Balance	-	(19,216)	-	-
Total Fund Balance	<u>3,153</u>	<u>(19,216)</u>	<u>5,596</u>	<u>130,680</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,153</u>	<u>\$ 104,869</u>	<u>\$ 45,855</u>	<u>\$ 131,283</u>

FUNDS				
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	HOTEL/ MOTEL OCCUPANCY TAX	TOTAL NONMAJOR FUNDS
\$ 11,629	\$ 11,074	\$ -	\$ 214,055	\$ 388,334
-	-	-	19,489	23,847
-	7,870	4,412	138,429	279,937
-	-	-	-	-
-	-	334	-	334
<u>\$ 11,629</u>	<u>\$ 18,944</u>	<u>\$ 4,746</u>	<u>\$ 371,973</u>	<u>\$ 692,452</u>
\$ -	\$ -	\$ -	\$ -	\$ 603
14,631	-	-	-	153,560
-	-	-	-	25,415
<u>14,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,578</u>
-	18,944	4,746	371,973	535,092
(3,002)	-	-	-	(22,218)
<u>(3,002)</u>	<u>18,944</u>	<u>4,746</u>	<u>371,973</u>	<u>512,874</u>
<u>\$ 11,629</u>	<u>\$ 18,944</u>	<u>\$ 4,746</u>	<u>\$ 371,973</u>	<u>\$ 692,452</u>

CITY OF FLORESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	FEDERAL FORFEITURE	PARKS AND RECREATION
<u>REVENUES</u>				
Sales and Other Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - Grant Revenue				
Fines, Fees and Forfeitures	1,830	3,115	-	81,497
Interest Earned	-	28	-	-
Total Revenues	<u>1,830</u>	<u>3,143</u>	<u>-</u>	<u>81,497</u>
<u>EXPENDITURES</u>				
Current				
Administration	-	-	-	-
Streets Department	-	-	-	-
Park and Recreation	-	-	-	19,382
Public Safety	-	12,312	-	-
Capital Outlay	-	9,071	45,000	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>21,383</u>	<u>45,000</u>	<u>19,382</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,830</u>	<u>(18,240)</u>	<u>(45,000)</u>	<u>62,115</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,830	(18,240)	(45,000)	62,115
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>1,323</u>	<u>(976)</u>	<u>50,596</u>	<u>68,565</u>
FUND BALANCES				
AT END OF YEAR	<u>\$ 3,153</u>	<u>\$ (19,216)</u>	<u>\$ 5,596</u>	<u>\$ 130,680</u>

FUNDS				
MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	HOTEL/ MOTEL OCCUPANCY TAX	TOTAL NONMAJOR FUNDS
\$ -	\$ -	\$ -	\$ 235,139	\$ 235,139
2,733	1,359	1,669	-	92,203
4	3	-	-	35
<u>2,737</u>	<u>1,362</u>	<u>1,669</u>	<u>235,139</u>	<u>327,377</u>
-	-	-	307,489	307,489
-	-	-	-	-
-	-	-	-	19,382
-	-	1,634	-	13,946
-	-	-	-	54,071
-	-	-	-	-
-	-	-	-	-
-	-	1,634	307,489	394,888
<u>2,737</u>	<u>1,362</u>	<u>35</u>	<u>(72,350)</u>	<u>(67,511)</u>
-	-	-	(50,000)	(50,000)
-	-	-	(50,000)	(50,000)
2,737	1,362	35	(122,350)	(117,511)
<u>(5,739)</u>	<u>17,582</u>	<u>4,711</u>	<u>494,323</u>	<u>630,385</u>
<u>\$ (3,002)</u>	<u>\$ 18,944</u>	<u>\$ 4,746</u>	<u>\$ 371,973</u>	<u>\$ 512,874</u>

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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, 2018

FINAL DRAFT

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Property Taxes	\$ 822,063	\$ 822,063	\$ 885,852	\$ 63,789
Contributions	-	-	522,214	522,214
Total Revenues	<u>822,063</u>	<u>822,063</u>	<u>1,408,066</u>	<u>586,003</u>
<u>EXPENDITURES</u>				
Administration	-	-	-	-
Debt Service:				
Principal	976,000	976,000	949,810	26,190
Interest	329,869	329,869	327,647	2,222
Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>1,305,869</u>	<u>1,305,869</u>	<u>1,277,457</u>	<u>28,412</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(483,806)</u>	<u>(483,806)</u>	<u>130,609</u>	<u>614,415</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer Out	<u>498,806</u>	<u>498,806</u>	<u>-</u>	<u>(498,806)</u>
Net Change in Fund Balance	15,000	15,000	130,609	115,609
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>110,996</u>	<u>110,996</u>	<u>110,996</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 125,996</u>	<u>\$ 125,996</u>	<u>\$ 241,605</u>	<u>\$ 115,609</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, 2018, 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 27, 2019. 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 2018-II-001, 2018-II-003, 2018-II-004, and 2018-II-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Floresville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2018-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.

San Antonio, Texas
June 27, 2019

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, 2018. 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 City 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, 2018.

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 2018-III-01 and 2018-III-02. 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 2018-III-001 and 2018-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.

San Antonio, Texas
June 27, 2019

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CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

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

FEDERAL AWARDS			
	Internal control over financial reporting: • Material weakness(es) identified?	<u> </u> Yes	<u> X </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

Section II: Financial Statement Findings

Finding 2018-II-001 – Accounts Payable/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 \$460,313 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: City Staff will reconcile the general ledger monthly to ensure that the accounting function of the City is adequate to meet its financial reporting needs.

Finding 2018-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. This was also a finding in the prior year.

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 several department's amended budgets and total expenditures exceeded the approved budget by \$18,616.

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

Finding 2018-II-003 – Civic Center Rentals
Type of Finding – Material Weakness

Criteria: Civic Center rental revenue must be recorded in the proper fiscal period.

Condition/Cause: Our testing of revenues identified the City recorded revenue of \$11,820 for deposits paid in fiscal year 2018 for events taking place in fiscal year 2019, when these payments should be recorded as deferred revenue.

Section II: Financial Statement Findings (Continued)

Recommendation: We recommend the Finance Department review all rental contracts in order to ensure revenue is being recorded in the proper fiscal period.

Response: The finance department will review all rental contracts in order to ensure revenue is being recorded in the proper fiscal period.

Finding 2018-II-004 – Construction Retainage
Type of Finding – Material Weakness

Criteria: Retainage amounts associated with construction projects should be recorded at fiscal year end

Condition/Cause: Our testing of expenditures associated with the construction in progress detected retainage amounts of \$423,850 on construction projects that went unrecorded by the City.

Recommendation: We recommend the City review all construction payment applications at year end and properly record any retainage amounts.

Response: City staff will review all construction payment applications at year end and properly record any retainage amounts.

Finding 2018-II-005 – Pooled Cash
Type of Finding – Material Weakness

Criteria: City is utilizing restricted funds for non-restricted activities.

Condition/Cause: We noted that the City at year-end borrowed funds through their pooled cash account from restricted sources to fund City operations by \$1,690,376.

Recommendation: We recommend that cash from restricted sources should not be used to temporarily fund City operations.

Response: City staff will work on the process to separate the pooled cash account to address the concern that cash from restricted sources should not be used to temporarily fund City operations.

Section III – Federal Award Findings and Questioned Costs

Finding 2018-III-001 – General Procurement Standards

Finding – Compliance

Criteria: The City should have documented procurement procedures. This was also a finding in the prior year.

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 City Council for approval.

Finding 2018-III-002 – Financial Reporting Policies and Procedures

Finding – Compliance

Criteria: The City should have documented policies and procedures over financial reporting.

Condition/Cause: Our testing of the federal single audit identified that the City does not have a written policy over financial reporting to follow.

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

Response: City staff will prepare a financial reporting policy which reflects all applicable federal, state and local laws and present the policy to City Council for approval.

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.

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 \$460,313 to record additional expenses. This remains a finding, see finding 2018-II-01.

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.

Status: In the current year, the budget to actual schedule indicated the City exceeded most department's amended budgets again and total expenditures exceeded the approved budget by \$199,953. This remains a finding, see finding 2018-II-02

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.

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

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.

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

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.

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

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

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

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.

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

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.

Status: In the current year, the City still did not have a City Council approved procurement policy. This remains a finding, see finding 2018-III-01.

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR'S PASS-THROUGH NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Water and Wastewater Disposal System for Rural Communities	10.760		<u>\$ 5,069,377</u>
Total U.S. Department of Agriculture			<u>5,069,377</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Community Development Block Grant	14.228		<u>225,076</u>
Total U.S. Department of Housing and Urban Development			<u>225,076</u>
 TOTAL FEDERAL AWARDS			 <u><u>\$ 5,294,453</u></u>

CITY OF FLORESVILLE, TEXAS
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINAL DRAFT

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.

The City of Floresville elected not to use the 10 percent de minimis indirect cost rate.

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, 2018 was \$8,310,000 and the City had \$2,652,000 available to spend on future bond projects expenditures.

NOTE 3: PASS THROUGH EXPENDITURES

The City does not pass through any federal expenditures to subrecipients.