

CITY OF POTEET, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2018

City of Poteet, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Poteet, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poteet, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

We were not provided with one related party questionnaire from a council member. Accounting standards require that we obtain related party questionnaires from all council members. The amount by which this departure would affect the assets, net position, results of operations, and cash flows have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Poteet, Texas, as of September 30, 2017, the changes in financial position, and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, Employee Retirement System Information, and the OPEB system information on pages 3–11, 73-74, and 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poteet, Texas’ basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management's Discussion and Analysis

As management of the City of Poteet, Texas, we offer readers of the City of Poteet, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Poteet, Texas for the fiscal year ended September 30, 2018.

Financial Highlights

- . The assets of the City of Poteet, Texas exceeded its liabilities at the close of the most recent fiscal year by \$3,998,012 (Net Position). Of this amount, \$668,353 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position increased by \$355,144. The reason for this increase is as follows: The Charges for Services increased by \$230,314 and Maintenance and Operations Taxes increased by \$74,468.
- . As of the close of the current fiscal year, the City of Poteet, Texas' governmental funds reported combined ending fund balances of a minus \$262,699, a decrease of \$346,033 in comparison with the prior year. None of this amount is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was a negative \$432,611, or 0 percent of total general fund expenditures.
- . The City of Poteet, Texas' total bonded debt increased by \$35,000 (1 percent) during the current fiscal year. The key factor in this increase was a result of 2017 Tax Note proceeds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Poteet, Texas' basic financial statements. The City of Poteet, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Poteet, Texas' finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the City of Poteet, Texas' assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City of Poteet, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Poteet, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Poteet, Texas include general administration, public safety, public transportation, and culture and recreation. The business-type activities of the City of Poteet, Texas include the Utility fund.

The government-wide financial statements include only the City of Poteet, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Poteet, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Poteet, Texas can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Poteet, Texas maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund which are considered to be major funds.

The City of Poteet, Texas adopts an annual appropriated budget for its general fund and the debt service fund. A budgetary comparison statement has been provided for the general fund and the debt service fund to demonstrate compliance with this budget. The budget for the general fund can be found on page 18 of this report. The budget for the debt service fund can be found on page 19 of this report.

The basic governmental fund financial statements can be found on pages 14-19 of this report.

Proprietary funds: The City of Poteet, Texas maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Poteet, Texas uses enterprise funds to account for its Utility activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund which is considered to be a major fund of the City of Poteet, Texas.

The basic proprietary fund financial statements can be found on pages 20-24 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-72 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Poteet, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 73-75 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 76-77 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City of Poteet, Texas, assets exceeded liabilities by \$3,998,012 at the close of the most recent fiscal year.

By far the largest portion of the City of Poteet, Texas' Net Position (82 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Poteet, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Poteet, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF POTEET, TEXAS NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$475,857	\$665,595	\$950,761	\$817,769	\$1,426,618	\$1,483,364
Capital Assets:	2,307,280	1,944,293	6,912,921	6,776,589	9,220,201	8,720,882
Total Assets	2,783,137	2,609,888	7,863,682	7,594,358	10,646,819	10,204,246
Total Deferred Outflows of Resources	75,938	74,245	41,186	36,779	117,124	111,024
Long-Term Liabilities	2,546,307	2,523,197	3,619,838	3,710,300	6,166,145	6,233,497
Other Liabilities	285,210	202,976	204,827	235,362	490,037	438,338
Total Liabilities	2,831,517	2,726,173	3,824,665	3,945,662	6,656,182	6,671,835
Total Deferred Inflows of Resources	66,859	366	42,890	201	109,749	567
Invested in Capital Assets, Net of Related Debt	(108,431)	(440,764)	3,401,246	3,098,424	3,292,815	2,657,660
Restricted	19,920	115,490	16,924	19,726	36,844	135,216
Unrestricted	49,210	282,868	619,143	567,124	668,353	849,992
Total Net Position	(\$39,301)	(\$42,406)	\$4,037,313	\$3,685,274	\$3,998,012	\$3,642,868

An additional portion of the City of Poteet, Texas' Net Position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position \$668,353 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Poteet, Texas reported positive balances in all three categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities except for the invested in capital assets, net of related debt for its separate governmental activities which had a negative amount of \$108,431. For the prior fiscal year, the City of Poteet, Texas reported positive balances in all three categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities except for the invested in capital assets, net of related debt for its separate governmental activities which had a negative amount of \$440,764.

The government's total Net Position increased by \$355,144. The reason for this increase is as follows: The Charges for Services increased by \$230,314 and Maintenance and Operations Taxes increased by \$74,468.

Governmental activities:

Governmental activities increased the City of Poteet, Texas' Net Position by \$3,105, thereby accounting for 1 percent of the total growth in the Net Position of the City of Poteet, Texas. The Charges for Services increased by \$230,314 and Maintenance and Operations Taxes increased by \$74,468.

**CITY OF POTEET, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$303,558	\$71,108	\$1,443,475	\$1,445,611	\$1,747,033	\$1,516,719
Capital Grants and Contributions	34,145	42,201	418,131	913,144	452,276	955,345
General Revenues:						
Maintenance and Operations Taxes	784,561	710,093			784,561	710,093
Sales Taxes	373,304	340,512			373,304	340,512
Franchise Taxes	85,700	83,329			85,700	83,329
Other Taxes	802	3,175			802	3,175
Licenses and Permits	133,743	77,657			133,743	77,657
Unrestricted Investment Earnings	806	1,165			806	1,165
Miscellaneous	38,029	18,860			38,029	18,860
Total Revenue	<u>1,754,648</u>	<u>1,348,100</u>	<u>1,861,606</u>	<u>2,358,755</u>	<u>3,616,254</u>	<u>3,706,855</u>
Expenses:						
General Administration	299,027	244,541			299,027	244,541
Public Safety	648,380	1,045,008			648,380	1,045,008
Public Facilities	110,658	0			110,658	0
Public Transportation	425,790	181,526			425,790	181,526
Culture and Recreation	158,354	190,999			158,354	190,999
Interest and Fiscal Charges	86,259	80,318			86,259	80,318
Utility			1,532,642	1,555,569	1,532,642	1,555,569
Total Expenses	<u>1,728,468</u>	<u>1,742,392</u>	<u>1,532,642</u>	<u>1,555,569</u>	<u>3,261,110</u>	<u>3,297,961</u>
Increase in Net Position before transfers and special items	<u>26,180</u>	<u>(394,292)</u>	<u>328,964</u>	<u>803,186</u>	<u>355,144</u>	<u>408,894</u>
Transfers	<u>(23,075)</u>	<u>0</u>	<u>23,075</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase in Net Position	3,105	(394,292)	352,039	803,186	355,144	408,894
Net Position at 09/30/2017 - Restated	(42,406)	351,886	3,685,274	2,882,088	3,642,868	3,233,974
Net Position at 09/30/2018	<u>(\$39,301)</u>	<u>(\$42,406)</u>	<u>\$4,037,313</u>	<u>\$3,685,274</u>	<u>\$3,998,012</u>	<u>\$3,642,868</u>

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government activities:				
General Administration	\$299,027	\$7,421	\$0	\$0
Public Safety	648,380	99,325		34,145
Public Facilities	110,658	132,544		
Public Transportation	425,790			
Culture and Recreation	158,354	64,268		
Interest and Fiscal Charges	86,259			
Total government activities	\$1,728,468	\$303,558	\$0	\$34,145

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$303,558	17.30%
Capital Grants and Contributions	34,145	1.95%
Maintenance and Operations Taxes	784,561	44.70%
Sales Taxes	373,304	21.28%
Franchise Taxes	85,700	4.88%
Other Taxes	802	0.05%
Licenses and Permits	133,743	7.62%
Unrestricted Investment Earnings	806	0.05%
Miscellaneous	38,029	2.17%
	\$1,754,648	100.00%

Business-type activities:

Business-type activities increased the City of Poteet, Texas' Net Position by \$352,809 thus accounting for 99 percent of the total growth in the Net Position of the City of Poteet, Texas. The reason for this increase is as follows: The utility fund received federal grants of \$418,131.

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Business-Type Activities:				
Utility	\$1,532,642	\$1,443,475	\$0	\$418,131
Total Business-Type Activities	1,532,642	1,443,475	0	418,131
Total Primary Government	\$1,532,642	\$1,443,475	\$0	\$418,131

Revenues by Source - Business-type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$1,443,475	77.54%
Capital Grants and Contributions	418,131	22.46%
	<u>\$1,861,606</u>	<u>100.00%</u>

As noted earlier, the City of Poteet, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

The focus of the City of Poteet, Texas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Poteet, Texas' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City of Poteet, Texas' governmental funds reported combined ending fund balances of a minus \$262,699, a decrease of \$346,033 in comparison with the prior year. None of this amount is available for spending at the government's discretion (unassigned fund balance). The remainder of fund balance is restricted, committed, and non-spendable.

The general fund is the chief operating fund of the City of Poteet, Texas. At the end of the current fiscal year, unreserved fund balance of the general fund was a minus \$432,611, while total fund balance reached a minus \$415,252. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0 percent of total general fund expenditures, while total fund balance represents 0 percent of that same amount.

The fund balance of the City of Poteet, Texas' general fund decreased by \$325,239 during the current fiscal year. Key factors in this decrease are as follows:

- . Drainage Project - \$249,161.
- . Library Construction - \$266,519.

At the end of the current fiscal year, restricted fund balance of the debt service fund was \$13,870 while total fund balance was \$13,870. As a measure of the debt service fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The restricted fund balance represents 6 percent of total debt service fund expenditures, while total fund balance represents 6 percent of that same amount.

The fund balance of the City of Poteet, Texas' debt service fund decreased by \$33,399 during the current fiscal year. Key factors in this decrease are as follows:

- . The 2018 ad valorem taxes collected was less than the debt service debt service by \$40,583.

Proprietary funds:

The City of Poteet, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Position of the Utility fund at the end of the year amounted to \$619,143. The increase in Net Position was \$352,039. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Poteet, Texas' business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget in the general fund of the debt service fund.

Capital Asset and Debt Administration

Capital assets:

The City of Poteet, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$9,220,201 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Poteet, Texas' investment in capital assets for the current fiscal year was 6 percent (a 19 percent increase for governmental activities and a 2 percent increase for business-type activities).

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

The City is currently engaged in a water and waste water system construction projects and a drainage project. The City finished three water projects and a library project during the year.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$81,917	\$81,917	\$8,959	\$8,959	\$90,876	\$90,876
Construction in Progress	289,776	165,877	13,908	2,797,257	303,684	2,963,134
Building and Improvements	677,884	312,572	89,506	63,169	767,390	375,741
Machinery, Equipment and Vehicles	338,198	344,853	0	0	338,198	344,853
Intangible	42,879	41,972	0	0	42,879	41,972
Infrastructure	876,626	997,102	6,800,548	3,907,204	7,677,174	4,904,306
Total	\$2,307,280	\$1,944,293	\$6,912,921	\$6,776,589	\$9,220,201	\$8,720,882

Additional information on the City of Poteet, Texas' capital assets can be found in note IV C on pages 37-38 of this report.

Debt Administration:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year	Due After one year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,966,250	\$160,000	\$52,250	\$2,074,000	\$80,000	\$1,994,000
	1,966,250	160,000	52,250	2,074,000	80,000	1,994,000
<u>Business-Type Activities:</u>						
Bonds Payable	3,457,750		72,750	3,385,000	76,000	3,309,000
	3,457,750	0	72,750	3,385,000	76,000	3,309,000
Grand Total	\$5,424,000	\$160,000	\$125,000	\$5,459,000	\$156,000	\$5,303,000

The City of Poteet, Texas' total bonded debt increased by \$35,000 (1 percent) during the current fiscal year. The key factor in this increase was a result of 2017 Tax Note proceeds.

Additional information on the City of Poteet, Texas' long-term debt can be found in note IV E on pages 39-42 of this report.

Economic Factors and Future Trends

The Eagle Ford Oil and Gas Shale have brought in new businesses which have increased the sales taxes significantly. Industry trends indicate the Oil and Gas industry will continue to rise in the near future.

Requests for Information

This financial report is designed to provide a general overview of the City of Poteet, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Department, P.O. Box 378, Poteet, Texas, 78065.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF POTEET, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$0	\$371,156	\$371,156
Receivables (Net of Allowance for Uncollectibles)	295,641	149,928	445,569
Net Pension Receivable	184,832	125,051	309,883
Prepaid Items	17,359	359	17,718
Due from Other Funds	(287,343)	287,343	0
Restricted Assets:			
Cash and Cash Equivalents	189,303	16,924	206,227
Receivables (Net of Allowance for Uncollectibles)	76,065		76,065
Capital Assets Not Being Depreciated:			
Land	81,917	8,959	90,876
Construction in Progress	289,776	13,908	303,684
Total Capital Assets Being Depreciated, Net			
Building and Improvements	677,884		677,884
Machinery and Equipment	338,198	89,506	427,704
Intangible	42,879		42,879
Infrastructure	876,626	6,800,548	7,677,174
Total Assets	\$2,783,137	\$7,863,682	\$10,646,819
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Contributions (after 12/31/17)	33,315	21,371	54,686
GASB 75			
Difference in Changes in assumptions and other inputs	1,930	1,238	3,168
Loss on Bond Refunding	40,693	18,577	59,270
Total Deferred Outflows of Resources	75,938	41,186	117,124
LIABILITIES:			
Accounts Payable	\$159,539	\$11,493	\$171,032
Bank Overdraft	110,006		110,006
Accrued Wages Payable	5,091	2,708	7,799
Accrued Interest Payable	5,570	11,321	16,891
Consumer Meter Deposit		179,305	179,305
Unearned Revenues - LEOSE Training	5,004		5,004
Noncurrent Liabilities:			
Due Within One Year	221,901	140,732	362,633
Due in More Than One Year	2,324,406	3,479,106	5,803,512
Total Liabilities	2,831,517	3,824,665	6,656,182
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	16,543	10,613	27,156
Difference in projected and actual earnings on pension plan investments	50,316	32,277	82,593
Total Deferred Inflows of Resources	66,859	42,890	109,749
NET POSITION			
Invested in Capital Assets, Net of Related Debt	(108,431)	3,401,246	3,292,815
Restricted			
Court Security Fund	3,970		3,970
Court Technology	1,184		1,184
Debt Service	13,870	16,924	30,794
State Forfeiture	896		896
Unrestricted	49,210	619,143	668,353
Total Net Position	(\$39,301)	\$4,037,313	\$3,998,012

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Government Activities:						
General Administration	\$299,027	\$7,421	\$0	\$0	(\$291,606)	(\$291,606)
Public Safety	648,380	99,325		34,145	(514,910)	(514,910)
Public Facilities	110,658	132,544			21,886	21,886
Public Transportation	425,790				(425,790)	(425,790)
Culture and Recreation	158,354	64,268			(94,086)	(94,086)
Interest and Fiscal Charges	86,259				(86,259)	(86,259)
Total Government Activities	1,728,468	303,558	0	34,145	(1,390,765)	(1,390,765)
Business-Type Activities:						
Utility	1,532,642	1,443,475		418,131		328,964
Total Business-Type Activities	1,532,642	1,443,475	0	418,131	0	328,964
Total Primary Government	\$3,261,110	\$1,747,033	\$0	\$452,276	(1,390,765)	328,964
General Revenues						
Property Taxes, Levies for General Purposes					784,561	784,561
Sales Taxes					373,304	373,304
Franchise Taxes					85,700	85,700
Other Taxes					802	802
Licenses and Permits					133,743	133,743
Unrestricted Investment Earnings					806	806
Miscellaneous					38,029	38,029
Transfers					(23,075)	23,075
Total General Revenues and Transfers					1,393,870	1,416,945
Change in Net Position					3,105	355,144
Net Position - Beginning - Restated					(42,406)	3,642,868
Net Position - Ending					(\$39,301)	\$4,037,313

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$0	\$0	\$0	\$0
Receivables (Net of Allowance for Uncollectibles)	280,443			280,443
Prepaid Items	17,359			17,359
Due from Other Funds				0
Restricted Assets:				
Cash and Cash Equivalents		59,185	130,118	189,303
Receivables (Net of Allowance for Uncollectibles)		65,720	10,345	76,065
Due from Other Funds		1,000	1,633	2,633
Total Assets	\$297,802	\$125,905	\$142,096	\$565,803
LIABILITIES AND FUND BALANCES:				
Liabilities				
Accounts Payable	\$156,360		\$3,179	\$159,539
Cash Overdraft	110,006			110,006
Accrued Wages	5,091			5,091
Compensated Absences	20,667			20,667
Unearned Revenues	5,004			5,004
Due to Other Funds	243,427	46,315	234	289,976
Total Liabilities	540,555	46,315	3,413	590,283
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	172,499	65,720		238,219
Total Deferred Inflows of Resources	172,499	65,720	0	238,219
Fund Balances:				
Nonspendable				
Prepaid Items	17,359			17,359
Restricted				
Court Security Fund			3,970	3,970
Court Technology			1,184	1,184
Debt Service		13,870		13,870
State Forfeiture			896	896
Committed				
Replacement			132,633	132,633
Unassigned	(432,611)		0	(432,611)
Total Fund Balance	(415,252)	13,870	138,683	(262,699)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$297,802	\$125,905	\$142,096	\$565,803

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	(\$262,699)
Capital assets used in governmental activities are not reported in the funds.	2,307,280
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	238,219
GASB 68	
Net Pension Receivable	184,832
Deferred Outflow - Contributions (after 12/31/16)	33,315
Deferred Inflow-Difference in expected and actual experience	(16,543)
Deferred Inflow-Difference in projected and actual earnings on pension plan investments	(50,316)
GASB 75	
Difference in Changes in assumptions and other inputs	1,930
Loss on Bond Refunding	40,693
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	15,198
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,531,210)
Net Position of Governmental Activities - Statement of Net Position	<u><u>(\$39,301)</u></u>

The accompanying notes are an integral part of this statement.

CITY OF POTEET, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$549,737	\$209,442	\$0	\$759,179
Sales	373,304			373,304
Franchise	85,700			85,700
Other	802			802
Licenses and Permits	133,743			133,743
Intergovernmental	34,145			34,145
Charges for Services	166,715		49,781	216,496
Fines and Forfeitures	101,668			101,668
Interest	806			806
Miscellaneous	30,845	7,184		38,029
Total Revenues	<u>1,477,465</u>	<u>216,626</u>	<u>49,781</u>	<u>1,743,872</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	274,806		9,000	283,806
Public Safety	861,019		5,101	866,120
Public Facilities	110,658			110,658
Public Transportation	305,451			305,451
Culture and Recreation	443,271			443,271
Debt Service				
Principal Retirement	347	161,894		162,241
Interest and Fiscal Charges	47	88,131		88,178
Total Expenditures	<u>1,995,599</u>	<u>250,025</u>	<u>14,101</u>	<u>2,259,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(518,134)	(33,399)	35,680	(515,853)
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Note Proceeds	160,000			160,000
Other Financing Sources - Capital Lease Proceeds	32,895			32,895
Operating Transfers Out			(23,075)	(23,075)
Total Other Financing Sources (Uses)	<u>192,895</u>	<u>0</u>	<u>(23,075)</u>	<u>169,820</u>
Net Changes in Fund Balances	<u>(325,239)</u>	<u>(33,399)</u>	<u>12,605</u>	<u>(346,033)</u>
Fund Balances - Beginning - Restated	(90,013)	47,269	126,078	83,334
Fund Balances - Ending	<u>(\$415,252)</u>	<u>\$13,870</u>	<u>\$138,683</u>	<u>(\$262,699)</u>

The accompanying notes are an integral part of this statement.

CITY OF POTEET, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2018

Net Changes in Fund Balances - Total Governmental Funds (\$346,033)

Amounts reported for governmental activities in the statement of net position
("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	362,987
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. GASB 68	25,382
Net Pension Receivable. This is the change in these amounts this year.	72,492
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	1,532
Deferred Inflow-Investment Experience. This is the change in these amounts this year.	(16,236)
Deferred Inflow-Actual Experience vs. Assumption. This is the change in these amounts this year. GASB 75	(50,257)
Deferred Outflow - Difference in Changes in assumptions and other inputs	1,930
Amortization of Loss on Bond Refunding	(1,769)
(Increase) decrease in accrued interest from beginning of period to end of period.	168
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(192,895)
Amortization of Increase in bond premium	3,520
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(14,606)
(Increase) Decrease in OPEB Liability from Beginning of Period to End of Period.	(5,351)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	<u>162,241</u>
 Change in Net Position of Governmental Activities - Statement of Activities	 <u><u>\$3,105</u></u>

The accompanying notes are an integral part of this statement.

CITY OF POTEET, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$495,530	\$495,530	\$549,737	\$54,207
Sales	340,000	340,000	373,304	33,304
Franchise	80,000	80,000	85,700	5,700
Other	1,400	1,400	802	(598)
Licenses and Permits	85,750	85,750	133,743	47,993
Charges for Services	33,600	33,600	78,224	44,624
Fines and Forfeitures	40,000	40,000	101,668	61,668
Interest	880	880	806	(74)
Miscellaneous	5,700	5,750	15,463	9,713
Total Revenues	<u>1,082,860</u>	<u>1,082,910</u>	<u>1,339,447</u>	<u>256,537</u>
EXPENDITURES				
Current:				
General Administration				
General administration	222,846	222,846	274,806	(51,960)
Public Safety				
Animal Control	54,621	54,621	19,782	34,839
Municipal Court	68,947	68,947	70,390	(1,443)
Fire	25,400	25,400	25,948	(548)
Police Department	763,944	763,944	744,899	19,045
Public Transportation				
Streets	68,600	68,600	56,290	12,310
Culture and Recreation				
Library	141,126	141,126	79,816	61,310
Parks	31,030	31,030	34,004	(2,974)
Total Expenditures	<u>1,376,514</u>	<u>1,376,514</u>	<u>1,305,935</u>	<u>70,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(293,654)	(293,604)	33,512	327,116
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances - Budgetary Basis	<u>(\$293,654)</u>	<u>(\$293,604)</u>	33,512	<u>\$327,116</u>
Reconciliation from Cash Basis to Modified Accrual Basis:				
Other Financing Sources - Note Proceeds			160,000	
Other Financing Sources - Capital Lease Proceeds			32,895	
Garbage Revenue			88,491	
Garbage Expenditures			(110,658)	
Grant Revenues			34,145	
Ortega Settlement			15,382	
Drainage Project			(249,161)	
Equipment Purchases			(62,932)	
Library Construction			(266,519)	
Capital Lease - Principal Retirement			(347)	
Capital Lease - Interest Retirement			(47)	
Net Changes in Fund Balances - Modified Accrual Basis			<u>(325,239)</u>	
Fund Balances - Beginning			<u>(90,013)</u>	
Fund Balances - Ending			<u>(\$415,252)</u>	

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

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$190,000	\$190,000	\$209,442	\$19,442
Miscellaneous	7,185	7,185	7,184	(1)
Total Revenues	197,185	197,185	216,626	19,441
EXPENDITURES				
Current:				
Debt Service				
Principal Retirement	121,567	121,567	161,894	(40,327)
Interest Retirement	80,539	80,539	88,131	(7,592)
Total Expenditures	202,106	202,106	250,025	(47,919)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,921)	(4,921)	(33,399)	(28,478)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(4,921)	(4,921)	(33,399)	(28,478)
Fund Balances - Beginning	47,269	47,269	47,269	
Fund Balances - Ending	\$42,348	\$42,348	\$13,870	(\$28,478)

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

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

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$371,156	\$463,088	\$371,156
Accounts Receivables (Net of Allowance for Uncollectibles)	149,928	201,756	149,928
Net Pension Receivable	125,051	78,547	125,051
Prepaid Items	359		359
Due from Other Funds	320,893	147,247	320,893
Restricted Assets:			
Cash and Cash Equivalents - Construction	16,924	19,726	16,924
Total Current Assets	<u>984,311</u>	<u>910,364</u>	<u>984,311</u>
Capital Assets			
Land	8,959	8,959	8,959
Construction in Progress	13,908	2,797,256	13,908
Machinery and Equipment	208,657	161,207	208,657
Distribution System	10,831,779	7,634,318	10,831,779
Total Capital Assets	11,063,303	10,601,740	11,063,303
Less Accumulated Depreciation	<u>(4,150,382)</u>	<u>(3,825,151)</u>	<u>(4,150,382)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>6,912,921</u>	<u>6,776,589</u>	<u>6,912,921</u>
Total Noncurrent Assets	6,912,921	6,776,589	6,912,921
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Contributions (after 12/31/16)		17,394	0
Contributions (after 12/31/17)	21,371		21,371
GASB 75			
Changes in assumptions and other inputs	1,238		1,238
Loss on Bond Refunding	18,577	19,385	18,577
Total Deferred Outflow of Resources	<u>41,186</u>	<u>36,779</u>	<u>41,186</u>
TOTAL ASSETS	<u><u>\$7,938,418</u></u>	<u><u>\$7,723,732</u></u>	<u><u>\$7,938,418</u></u>

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$11,493	\$38,260	\$11,493
Accrued Wages Payable	2,708	3,119	2,708
Compensated Absences	22,881	16,986	22,881
Accrued Interest Payable	11,321	12,208	11,321
Due to Other Funds	33,550	92,595	33,550
Capital Leases - Current Portion	41,851	37,790	41,851
Bonds Payable - Current Portion	76,000	72,750	76,000
Total Current Liabilities	199,804	273,708	199,804
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	179,305	181,775	179,305
Total Current Liabilities	179,305	181,775	179,305
Noncurrent Liabilities			
GASB 75 Payable	18,582	15,149	18,582
Capital Leases	85,282	113,503	85,282
Bonds Payable (Including Bond Premium)	3,375,242	3,454,122	3,375,242
Total Noncurrent Liabilities	3,479,106	3,582,774	3,479,106
Total Liabilities	3,858,215	4,038,257	3,858,215
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	10,613	168	10,613
Difference in projected and actual earnings on pension plan investments	32,277	33	32,277
Total Deferred Inflow of Resources	42,890	201	42,890
Net Position			
Invested in Capital Assets, Net of Related Debt	3,401,246	3,098,424	3,401,246
Restricted for Construction - Expendable	16,924	19,726	16,924
Unrestricted	619,143	567,124	619,143
Total Net Position	\$4,037,313	\$3,685,274	\$4,037,313

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

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

	Business-Type Activities		
	Enterprise Funds		Totals
	Utility Current Year	Utility Prior Year	
OPERATING REVENUES:			
Charges for Services - Water	\$637,926	\$616,989	\$637,926
Charges for Services - Sewer	431,011	443,811	431,011
Charges for Services - Garbage	230,734	307,895	230,734
Miscellaneous	143,804	76,916	143,804
Total Operating Revenues	<u>1,443,475</u>	<u>1,445,611</u>	<u>1,443,475</u>
OPERATING EXPENSES:			
Personal Services	535,552	528,688	535,552
Supplies	1,897	3,202	1,897
Other Services and Charges	567,726	723,896	567,726
Depreciation	325,231	212,846	325,231
Total Operating Expenses	<u>1,430,406</u>	<u>1,468,632</u>	<u>1,430,406</u>
Operating Income (Loss)	<u>13,069</u>	<u>(23,021)</u>	<u>13,069</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income			0
Interest and Fiscal Charges	(102,236)	(86,937)	(102,236)
Total Non-Operating Revenues (Expenses)	<u>(102,236)</u>	<u>(86,937)</u>	<u>(102,236)</u>
Income Before Contributions and Transfers	<u>(89,167)</u>	<u>(109,958)</u>	<u>(89,167)</u>
Federal Grant	418,131	913,144	418,131
Transfers Out (Net)	23,075		23,075
Change in Net Position	352,039	803,186	352,039
Total Net Position - Beginning - Restated	<u>3,685,274</u>	<u>2,882,088</u>	<u>3,685,274</u>
Total Net Position - Ending	<u>\$4,037,313</u>	<u>\$3,685,274</u>	<u>\$4,037,313</u>

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

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

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$1,492,474	\$1,468,270	\$1,492,474
Payments to Suppliers	(829,161)	(1,055,243)	(829,161)
Payments to Employees	(535,665)	(476,051)	(535,665)
Net Cash Provided (Used) by Operating Activities	127,648	(63,024)	127,648
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In	23,075	0	23,075
Federal Grant	418,131	913,144	418,131
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	441,206	913,144	441,206
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bonds, Notes and Capital Leases	(114,130)	(120,268)	(114,130)
Proceeds from Capital Debt	14,341	1,875,000	14,341
Interest and Fiscal Charges	(102,236)	(86,937)	(102,236)
Purchases of Capital Assets	(461,563)	(2,239,453)	(461,563)
Net Cash Provided (Used) by Capital and Related Financing Activities	(663,588)	(571,658)	(663,588)
Cash Flows from Investing Activities			
Interest Received	0	0	0
Net Cash Provided (Used) by Investment Activities	0	0	0
Net Increase (Decrease) in Cash Equivalents	(94,734)	278,462	(94,734)
Cash and Cash Equivalents at Beginning of Year	482,814	204,352	482,814
Cash and Cash Equivalents at End of Year	\$388,080	\$482,814	\$388,080
Current Assets			
Cash and Cash Equivalents	\$371,156	\$463,088	\$371,156
Restricted Assets:			
Cash and Cash Equivalents - Construction	16,924	19,726	16,924
	\$388,080	\$482,814	\$388,080

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$13,069	(\$23,021)	\$13,069
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	325,231	212,846	325,231
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	51,828	16,227	51,828
Decrease (Increase) in Net Pension Receivable	(46,504)	4,074	(46,504)
Increase (Decrease) in Due from Other Funds	(173,646)	(86,767)	(173,646)
Decrease (Increase) in Prepaid Items	(359)	0	(359)
Decrease (Increase) in Loss on Bond Refunding	807	807	807
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(3,977)	(2,007)	(3,977)
Increase (Decrease) Deferred Outflow-Diff. in expected and actual exp.	10,445	30,561	10,445
Increase (Decrease) Deferred Outflow-Diff. in projected and actual earnings on pension plan investments	32,244	12,960	32,244
GASB 75			
Decrease (Increase) Changes in assumptions and other inputs	(1,238)		(1,238)
Increase (Decrease) in Accounts Payable	(26,767)	(331,784)	(26,767)
Increase (Decrease) in Accrued Wages Payable	(411)	1,078	(411)
Increase (Decrease) in Compensated Absences	5,895	5,971	5,895
Increase (Decrease) in Accrued Interest Payable	(887)	(120)	(887)
Increase (Decrease) in Due to Other Funds	(59,045)	89,719	(59,045)
Increase (Decrease) in Consumer Meter Deposits	(2,470)	6,432	(2,470)
Increase (Decrease) in OPEB Payable	3,433		3,433
Net Cash Provided (Used) by Operating Activities	<u>\$127,648</u>	<u>(\$63,024)</u>	<u>\$127,648</u>
Noncash Investing, Capital, and Financing Activities:			
Federal Grant	\$418,131	\$913,144	\$1,331,275
USDA Bond Proceeds		1,875,000	1,875,000
Capital Lease Proceeds	14,341		14,341
	<u>\$432,472</u>	<u>\$2,788,144</u>	<u>\$3,220,616</u>

Note: The above funds are all enterprise funds.

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

CITY OF POTEET, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. Summary of significant accounting policies

A Reporting entity/ Basis of Accounting/Measurement Focus

The City of Poteet, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Poteet, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

- . The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- . The debt service fund is used to service the G.O. Bonds.

D. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Utility Fund (Water, Sewer, and Garbage) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

- . The utility fund accounts for the activities of the government's water, sewer and garbage operations.

E. Assets, liabilities, and Net Position or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government and the City to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2018, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2018, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2018. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2018, and 10 percent of delinquent outstanding property taxes at September 30, 2018.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2018.

There were no prepaid items at September 30, 2018.

4. Restricted assets

The restricted assets at September 30, 2018 are as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Restricted for:			
Court Technology	\$1,184		\$1,184
Court Building Security	4,264		4,264
State Forfeiture Monies	896		896
Construction	134,119	16,924	151,043
Debt Service	124,905		124,905
Total Restricted	\$265,368	\$16,924	282,292

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is usually included as part of the capitalized value of the assets constructed. The City is currently engaged in a water and waste water system construction projects and a drainage project. The City finished three water projects and a library project during the year.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

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

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 25 to 30 percent of the subsequent year's budgeted General Fund expenditures. The City fell short of this requirement as it posted a negative unassigned fund balance of \$432,611.

As of September 30, 2018, fund balances are composed of the following:

Fund Balances:	
Nonspendable	
Prepaid Items	\$17,359
Restricted	
Court Security Fund	3,970
Court Technology	1,184
D. A. R. E.	0
Debt Service	13,870
Library	0
State Forfeiture	896
Committed	
Replacement	132,633
Unassigned	<u>(432,611)</u>
Total Fund Balance	<u><u>(\$262,699)</u></u>

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68 and GASB 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$2,531,210 difference are as follows:

Bonds Payable	\$2,074,000
Capital Leases	341,711
Bond Issuance Premium	80,963
Accrued Interest Payable	5,570
OPEB Liability	28,966
	<u>\$2,531,210</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,307,280 difference are as follows:

Capital assets not being depreciated	\$371,693
Capital assets being depreciated	9,543,643
Depreciation expense	(7,608,056)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$2,307,280</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$238,219 difference are as follows:

Property Taxes Receivable	\$257,021
Allowance for Doubtful Accounts	<u>(18,802)</u>
Net	<u>\$238,219</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$15,198 difference are as follows:

Fines and Fees Receivable	\$88,633
Allowance for Doubtful Accounts	<u>(73,435)</u>
Net	<u>\$15,198</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$362,987 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$504,986
Capital Outlay - Additions - Being Depreciated	493,100
Capital Outlay - Deletions	(381,087)
Depreciation Expense	(254,012)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$362,987</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The City Administrator had been authorized by the council to prepare the budget. He is assisted by the City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the City Administrator. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Administrator is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2018.

B. Excess of expenditures over appropriations

For the year ended September 30, 2018, excess of expenditures over appropriations occurred in the debt service fund whereby actual expenditures of \$250,025 were more than the budgeted expenditures of \$202,106 by \$47,919.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2018 except for general fund which had a deficit fund balance of \$415,252. This deficit is expected to be liquidated by future resources of the fund.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

Wells Fargo Advantage Treasury Plus Money Market Fund uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. Wells Fargo Advantage Treasury Plus Money Market Fund does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. Wells Fargo Advantage Treasury Plus Money Market Fund has a credit rating of AAAM rating from Standard & Poor's and AAAM by Moodys.

The City's general fund participates in a pooling of cash and investment income in order to maximize investment opportunities. The general fund may liquidate its equity in the pool on demand.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City had adopted a deposit and investment policy. That policy does address the following risks:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is not exposed to custodial credit risk because its deposits are fully covered by depository insurance and collateral held by the depository in the City's name. The City's total cash in the depository bank at September 30, 2018 was \$602,719 while the collateral coverage total was \$450,100 and the FDIC coverage was \$250,000. The book amount of the cash was \$209,368.
- b. Custodial Credit Risk - Investments: The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The City's investments in the Wells Fargo Advantage Treasury Plus Money Market Fund had an AAAM rating from Standard & Poor's and AAAM by Moodys.
- c. Interest-rate Risk - In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.
- d. Concentration of Credit Risk. The Plan places no limit on the amount the Plan may invest in any one issuer. More than 5 percent of the Plan's investments are in Wells Fargo Investments. This investment is 100.00% of the Plan's total investments.

A. Deposits and investments (continued)

The City's investments at September 30, 2018, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>
Wells Fargo Investments:		
Money Market Mutual Funds	<u>\$51,782</u>	0.08
Total Fair Value	<u>\$51,782</u>	
Portfolio Weighted Average Maturity		<u>0.08</u>

The value of Money Market Mutual Funds decreased \$60,798 from a value of \$112,580 September 30, 2017 to a balance of \$51,782 at September 30, 2018.

B. Receivables

Receivables as of year end for the government's individual major funds and non-major in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	Other				Total
	General	Debt Service	Governmental Funds	Utility	
Taxes	\$186,114	\$70,907			\$257,021
Accounts	79,353			199,612	278,965
Sales Tax	35,238				35,238
Fines	88,633				88,633
Other	13,104		10,345		23,449
Gross Receivables	<u>402,442</u>	<u>70,907</u>	<u>10,345</u>	<u>199,612</u>	<u>683,306</u>
Less: Allowance for Uncollectibles	<u>106,801</u>	<u>5,187</u>		<u>49,684</u>	<u>161,672</u>
Net Total Receivables	<u>\$295,641</u>	<u>\$65,720</u>	<u>\$10,345</u>	<u>\$149,928</u>	<u>\$521,634</u>

C. Capital assets

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

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$81,917			\$81,917
Construction in Progress	165,877	504,986	381,087	289,776
Total capital assets not being depreciated:	247,794	504,986	381,087	371,693
Capital assets being depreciated:				
Building and Improvements	1,114,421	388,037		1,502,458
Machinery, Equipment and Vehicles	1,058,542	97,563	30,355	1,125,750
Intangible	58,433	7,500		65,933
Infrastructure	6,849,502			6,849,502
Total capital assets being depreciated:	9,080,898	493,100	30,355	9,543,643
Less: Accumulated Depreciation for:				
Building and Improvements	801,849	22,725		824,574
Machinery, Equipment and Vehicles	713,689	104,218	30,355	787,552
Intangible	16,461	6,593		23,054
Infrastructure	5,852,400	120,476		5,972,876
Total Accumulated Depreciation	7,384,399	254,012	30,355	7,608,056
Total Capital Assets Depreciated, Net	1,696,499	239,088	0	1,935,587
Governmental Activities capital assets, Net	\$1,944,293	\$744,074	\$381,087	\$2,307,280
Business-Type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$8,959			\$8,959
Construction in Progress	2,797,257	414,113	3,197,462	13,908
Total capital assets not being depreciated:	2,806,216	414,113	3,197,462	22,867
Capital assets being depreciated:				
Machinery, Equipment and Vehicles	161,207	47,450		208,657
Distribution System	7,634,317	3,197,462		10,831,779
Total capital assets being depreciated:	7,795,524	3,244,912	0	11,040,436
Less: Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	98,038	21,113		119,151
Distribution System	3,727,113	304,118		4,031,231
Total Accumulated Depreciation	3,825,151	325,231	0	4,150,382
Total Capital Assets Depreciated, Net	3,970,373	2,919,681	0	6,890,054
Business-Type Activities Capital Assets, Net	\$6,776,589	\$3,333,794	\$3,197,462	\$6,912,921

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

Governmental Activities	
General Administration	\$17,847
Public Safety	75,510
Public Transportation	126,339
Culture and Recreation	<u>34,316</u>
Total Depreciation Expense - Governmental Activities	<u>\$254,012</u>
Business-Type Activities	
Utility	<u>\$325,231</u>
Total Depreciation Expense - Business-Type Activities	<u>\$325,231</u>

Construction commitments: The City is currently engaged in a water and waste water system construction projects and a drainage project. The City finished three water projects and a library project during the year.

D. Interfund receivables, payables, and transfers

There were no interfund receivables at September 30, 2018.

The due to/from other funds are listed below. The amounts due to the utility fund and to the debt service fund were for operations. The following amounts are expected to be repaid within the year.

DUE FROM	DUE TO				TOTAL
	GENERAL FUND	DEBT SERVICE FUND	UTILITY FUND	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL SERVICE FUND		(\$45,315)	\$288,959	(\$217)	\$243,427
NON-MAJOR GOVERNMENTAL FUNDS			(1,616)	45,532	43,916
TOTALS	\$0	(\$45,315)	\$287,343	\$45,315	<u>\$287,343</u>

There were no interfund fund transfers for the year ended September 30, 2018 except for the following: There was \$23,075 transferred from the Capital Improvement fund to the Utility fund. This amount was for Engineering/Surveying for a Water/Wastewater project. This transfer is non-recurrent.

E. Long-term debt

Bonds

General Obligation bonds are direct obligations and pledge the full faith and credit of the government and are secured solely by specified revenue sources. General Obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>	<u>Security</u>
Governmental activities	.04 to 3.75	\$1,966,250	Ad Valorem Taxes and Utility Revenues
Governmental activities	.0205	160,000	Ad Valorem Taxes
Business-type activities	.04 to 3.75	1,608,750	Ad Valorem Taxes and Utility Revenues
Business-type activities	.0225	1,849,000	Utility Revenues

Annual debt service requirements to maturity for the General Obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$80,000	\$72,355	\$76,000	\$97,872
2020	81,000	70,778	76,000	96,228
2021	83,750	68,919	79,250	94,545
2022	87,500	66,892	82,500	92,621
2023	88,500	64,355	83,500	90,276
2024-2028	371,750	278,288	460,250	407,649
2029-2033	420,750	201,604	544,250	324,609
2034-2038	508,750	112,504	641,250	228,672
2039-2043	352,000	20,182	539,000	127,305
2044-2048	0	0	282,000	81,315
2049-2053	0	0	315,000	48,128
2054-2056	0	0	206,000	11,363
TOTALS	<u>\$2,074,000</u>	<u>\$955,877</u>	<u>\$3,385,000</u>	<u>\$1,700,583</u>

The debt service fund and the utility funds are used to service the bonds.

E. Long-term debt (continued)

Capital Leases

The government had entered into a lease agreement as lessee for financing the acquisition of a one-fourth interest in a fire truck for \$60,000, equipment and vehicles for \$130,769 and \$94,490, computer and equipment for \$35,000, sewer equipment for \$132,000, 2 pumpers for \$160,250, financial software for \$108,937, dewatering unit for \$51,531, four Chevrolet trucks for \$153,864, 2 JD ZTRAK Mowers for \$21,510, and playground equipment for \$55,763. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. Please note that the City has title in one-fourth interest of the fire truck and once payment is completed the title will transfer to the local volunteer fire department and therefore no depreciation is being calculated. The security pledged for the capital leases is the equipment financed.

ASSET	Governmental Activities								TOTAL
	TWO PUMPERS	FINANCIAL SOFTWARE	FIRE TRUCK	EQUIPMENT AND VEHICLES	COMPUTER AND EQUIPMENT	FOUR 2017 CHEVROLET TRUCKS	2 - JD ZTRAK MOWERS	PLAYGROUND EQUIPMENT	
COST	\$160,250	\$108,937	\$60,000	\$130,769	\$35,000	\$153,864	\$7,170	\$55,763	\$711,753
ACCUMULATED DEPRECIATION	120,188	81,703	0	73,232	21,000	34,887	1,434	11,153	343,597
NET ASSET	\$40,062	\$27,234	\$60,000	\$57,537	\$14,000	\$118,977	\$5,736	\$44,610	\$368,156

ASSET	Business-Type Activities				
	SEWER PUMPS/ EQUIPMENT	EQUIPMENT AND VEHICLES	DE-WATERING UNIT	2 - JD ZTRAK MOWERS	TOTAL
COST	\$132,000	\$94,490	\$51,531	\$14,340	\$292,361
ACCUMULATED DEPRECIATION	66,000	56,694	8,245	2,868	133,807
NET ASSET	\$66,000	\$37,796	\$43,286	\$11,472	\$158,554

E. Long-term debt (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Governmental Activities									
ASSET	TWO PUMPERS	FINANCIAL SOFTWARE	FIRE TRUCK	EQUIPMENT AND VEHICLES	COMPUTER AND EQUIPMENT	FOUR 2017 CHEVROLET TRUCKS	2 - JD ZTRAK MOWERS	PLAYGROUND EQUIPMENT	TOTAL
COST	\$160,250	\$108,937	\$60,000	\$130,769	\$35,000	\$153,864	\$7,170	\$55,763	\$711,753
ACCUMULATED DEPRECIATION	120,188	81,703	0	73,232	21,000	34,887	1,434	11,153	343,597
NET ASSET	\$40,062	\$27,234	\$60,000	\$57,537	\$14,000	\$118,977	\$5,736	\$44,610	\$368,156

Business-Type Activities					
ASSET	SEWER PUMPS/ EQUIPMENT	EQUIPMENT AND VEHICLES	DE-WATERING UNIT	2 - JD ZTRAK MOWERS	TOTAL
COST	\$132,000	\$94,490	\$51,531	\$14,340	\$292,361
ACCUMULATED DEPRECIATION	66,000	56,694	8,245	2,868	133,807
NET ASSET	\$66,000	\$37,796	\$43,286	\$11,472	\$158,554

E. Long-term debt (continued)

The changes in long-term liabilities are as follows:

Capital Lease Payable	418,807	32,895	109,991	341,711	121,234	220,477
Compensated Absences	30,042	20,667	30,042	20,667	20,667	0
OPEB Liability	23,615	5,351		28,966		28,966
Total Governmental Activities:	<u>2,523,197</u>	<u>218,913</u>	<u>195,803</u>	<u>2,546,307</u>	<u>221,901</u>	<u>2,324,406</u>
<u>Business-Type Activities:</u>						
Revenue Bonds	3,457,750		72,750	3,385,000	76,000	3,309,000
Bond Premium	69,122		2,880	66,242		66,242
Total Bonds Payable	<u>3,526,872</u>	<u>0</u>	<u>75,630</u>	<u>3,451,242</u>	<u>76,000</u>	<u>3,375,242</u>
Capital Lease Payable	151,293	14,341	38,501	127,133	41,851	85,282
Compensated Absences	16,986	22,881	16,986	22,881	22,881	0
OPEB Liability	15,149	3,433		18,582		18,582
Total Business-Type Activities:	<u>3,710,300</u>	<u>40,655</u>	<u>131,117</u>	<u>3,619,838</u>	<u>140,732</u>	<u>3,479,106</u>
Grand Total	<u>\$6,233,497</u>	<u>\$259,568</u>	<u>\$326,920</u>	<u>\$6,166,145</u>	<u>\$362,633</u>	<u>\$5,803,512</u>

The general fund and the business type fund are used to service the compensated absences. The estimated amount due in the 2018-19 year is \$43,548. The government-wide statement of activities includes \$362,633 as "noncurrent liabilities, due within one year". There was no interest capitalized into capital assets. Interest of \$86,259 and \$102,236 was charged to expense in Governmental Activities and Business-Type Activities, respectively.

F. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$7,969 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2019	\$ 7,184
2020	5,324
2021	4,704
2022	<u>2,352</u>
Total	<u>\$ 19,564</u>

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

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred. The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Related party transaction

Denise Sanchez (Council member) is cousin to Frank Leal (Police Investigator).

C. Subsequent events

At the October 9, 2018 City Council meeting a Sewer Line project with Ram II General Contractor, in the amount of \$157,747.99, was approved by City Council.

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The city was a defendant in the following litigation at September 30, 2018:

- SOAR Docket No. 407-18225.F5; Tabita Guerrero v. Poteet Police Department; generally regarding a TCOLE matter. The SOAR hearing has been postponed several times at the request of Petitioner due to pending criminal actions against her.
- Letter of Representation dated 11/19/18 from possible personal injury plaintiff regarding an officer involved vehicle/pedestrian incident on 10/29/18. No claims or demands have been received regarding this matter to date.

E. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year. The City had a prior period adjustment where by both governmental activities' Net Position and the fund balances were both restated as follows: The line item insurance payable was restated downward by \$29,902 so as to be in agreement with the actual balance. The City also had a prior period adjustment where by both governmental activities' Net Position and the business-type activities' Net Position restated downward by \$23,615 and \$15,149, respectively due to the City implementing GASB 75. The restatements had the corresponding effect on the beginning Net Position and fund balance, as follows:

	Net Position, as Previously Reported	Insurance Payable Restatement	GASB 75 Restatement	Net Position As Restated
Governmental Activities:				
Net Position	(\$48,693)	\$29,902	(\$23,615)	(\$42,406)
Total Governmental Activities	(\$48,693)	\$29,902	(\$23,615)	(\$42,406)

	Net Position, as Previously Reported	GASB 75 Restatement	Net Position As Restated
Business-Type Activities:			
Net Position	\$3,700,423	(15,149)	\$3,685,274
Total Business-Type Activities	\$3,700,423	(\$15,149)	\$3,685,274

	Fund Balance, as Previously Reported	Insurance Payable Restatement	Fund Balance As Restated
Governmental Funds			
Fund Balances	\$53,432	\$29,902	\$83,334
Total Governmental Funds	\$53,432	\$29,902	\$83,334

F. GASB 68 Information

EXECUTIVE SUMMARY
as of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,	2016	2017
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	6	8
- Inactive employees entitled to but not yet receiving benefits	37	37
- Active employees	<u>31</u>	<u>27</u>
- Total	74	72
 Covered Payroll	 \$ 842,961	 \$ 962,001
Net Pension Liability		
Total Pension Liability	\$ 1,265,707	\$ 1,339,508
Plan Fiduciary Net Position	<u>1,456,594</u>	<u>1,649,391</u>
Net Pension Liability/(Asset)	\$ (190,887)	\$ (309,883)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 115.08%	 123.13%
 Net Pension Liability/(Asset) as a Percentage of Covered Payroll	 (22.64%)	 (32.21%)
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate*	3.78%	3.31%
 Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	 N/A	 N/A

*Based on the Bond Buyer 20 Bond Index of general obligation bonds as of December 29, 2016 as this is the weekly rate closest to but not later than the Measurement Date. Beginning in 2017, the rate is based on the Fidelity 20-Year Municipal GO AA Index as of December 29, 2017 as this is the daily rate closest to but not later than the Measurement Date.

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$	79,750
2. Interest on the Total Pension Liability		86,925
3. Changes in Current Period Benefits Including Substantively Automatic Status		17,918
4. Employee Contributions (Reduction of Expense)		(48,100)
5. Projected Earnings on Plan Investments (Reduction of Expense)		(98,320)
6. Administrative Expense		1,046
7. Other Changes in Fiduciary Net Position		53
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		(12,177)
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets		(20,648)
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities		15,041
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets		22,443
12. Total Pension Expense (Income)	\$	<u>43,931</u>

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2017 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.2300	\$ (39,333)	\$ (12,177)	\$ (27,156)
Change in assumptions [actuarial (gains) or losses]	3.2300	\$ 0	\$ 0	\$ 0
			-	
			<u>\$ (12,177)</u>	\$ (27,156)
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (103,241)	\$ (20,648)	\$ (82,593)
			<u>\$ (20,648)</u>	\$ (82,593)
<u>Total:</u>				<u>\$ (109,749)</u>

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

	Net deferred outflows (inflows) of resources
2018	\$ (9,529)
2019	(13,734)
2020	(23,473)
2021	(20,649)
2022	0
Thereafter	<u>0</u>
Total	\$ (67,385)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS - CURRENT PERIOD

A. Total pension liability

1. Service Cost	\$	79,750
2. Interest (on the Total Pension Liability)		86,925
3. Change in benefit terms including substantively automatic status		17,918
4. Difference between expected and actual experience		(39,333)
5. Change in assumptions		0
6. Benefit payments, including refunds of employee contributions		<u>(71,459)</u>
7. Net change in total pension liability	\$	73,801
8. Total pension liability - beginning		<u>1,265,707</u>
9. Total pension liability - ending	\$	<u>1,339,508</u>

B. Plan fiduciary net position

1. Contributions - employer	\$	15,693
2. Contributions - employee		48,100
3. Net investment income		201,561
4. Benefit payments, including refunds of employee contributions		(71,459)
5. Administrative Expense		(1,046)
6. Other		<u>(53)</u>
7. Net change in plan fiduciary net position	\$	192,797
8. Plan fiduciary net position - beginning		<u>1,456,594</u>
9. Plan fiduciary net position - ending*	\$	<u>1,649,391</u>

C. Net pension liability/(asset) [A.9 - B.9] \$ (309,883)

D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] 123.13 %

E. Covered payroll \$ 962,001

F. Net pension liability/(asset) as a percentage of covered payroll [C / E] (32.21%)

* FNP may be off due to rounding.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% 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:

Notes

Adopted 20 yr, any age retirement eligibility.

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. **The data in this schedule is based on the City's fiscal year-end**, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's **Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund)** by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 " Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$(135,512)	\$(309,883)	\$(454,088)

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

I. Economic Assumptions

A. General Inflation - General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth - 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases -

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Poteet annual annuity increases of 0.00% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Poteet the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Poteet the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other - 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set -forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33-47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. *Methods and Assumptions*

- A. Valuation of Assets - The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

G. GASB 75 Information

Actuarial and Financial Schedules

As of Measurement Date of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,	2017
Membership *	
Number of	
- Inactive employees currently receiving benefits	6
- Inactive employees entitled to but not yet receiving benefits	3
- Active employees	<u>27</u>
- Total	36
Covered Payroll	\$ 962,001
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 38,764
Changes for the year	
Service Cost	3,656
Interest on Total OPEB Liability	1,531
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	3,789
Benefit payments **	<u>(192)</u>
Net changes	<u>8,784</u>
Total OPEB Liability - end of year	\$ 47,548
Total OPEB Liability as a Percentage of Covered Payroll	4.94%

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Summary of Actuarial Assumptions:

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

*The discount rate was based on the Fidelity Index's " 20-Year Municipal GO AA Index " rate as of December 31, 2017.

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

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

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$57,279	\$47,548	\$40,082

OPEB Expense:

Service cost	\$	3,656
Interest on total OPEB liability		1,531
Changes in benefit terms		0
Employer administrative costs		0
Recognition of deferred outflows/inflows of resources:		
Differences between expected and actual experience ¹		0
Changes in assumptions or other inputs ²		621
Total OPEB expense	\$	5,808

1. In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss/ (gain).
2. Generally, this will only be the annual change in the municipal bond index rate.

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions and other inputs	0	3,168
Contributions made subsequent to measurement date	N/A	0
Total (excluding contributions made subsequent to measurement date)	\$ 0	\$ 3,168

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years) *	Total (Inflow) or Outflow of Resources	2017 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	6.1000	\$ 0	\$ 0	\$ 0
Change in assumptions [actuarial (gain s) or losses]	6.1000	\$ 3,789	\$ 621	\$ 3,168
Contributions made subsequent to measurement date		0	0	0
Total (excluding city provided contributions made subsequent to measurement date):				\$ <u>3,168</u>

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

	Net deferred outflows (inflows) of <u>resources</u>
2018	\$ 621
2019	621
2020	621
2021	621
2022	621
Thereafter	<u>63</u>
Total	\$ 3,168

* The recognition period for liability (gains) or losses may differ from GASB 68 reporting due to differences in the covered inactive populations

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year							
			2017	2018	2019	2020	2021	2022	Thereafter	
difference in experiences (inflows) /outflows										
	2017	6.1000 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
		Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
change in assumptions (inflows) /outflows										
	2017	6.1000 \$	3,789 \$	621 \$	621 \$	621 \$	621 \$	621 \$	621 \$	63
		Total	\$ 621	\$ 621	\$ 621	\$ 621	\$ 621	\$ 621	\$ 621	63

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

Plan/Calendar Year	Total SOB Contribution (Rate)	Retiree Portion of SOB Contribution (Rate)
2017	0.27%	0.02 %
2018	0.18%	0.01%

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

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

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

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

Actuarial Assumptions

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

I. Economic Assumptions

- A. General Inflation - General Inflation is assumed to be 2.50% per year.
- B. Discount Rates - Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
- C. Individual Salary Increases - Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of <u>Service</u>	<u>Rate (%)</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Poteet the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 63%, 2) Police - 88%, or 3) Other- 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For the City of Poteet, the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other - 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating to Employees Choosing Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33 -47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5 -1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA : 90%

III. Methods and Assumptions

- A. Valuation of Assets - For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Supplemental Death Benefit - The contribution rate for the Supplemental Death Benefit (SOB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SOB rate for retiree coverage is currently only one-third of the total term cost.

IV. Other Assumptions

1. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).
2. There will be no recoveries once disabled.
3. Decrement timing: Decrements of all types are assumed to occur mid-year.

4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. The decrement rates for service related decrements are based on total TMRS eligibility service.

V. *Participant Data*

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Glossary of Terms

<i>Actuarial Assumptions</i>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<i>Actuarial Cost Method</i>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<i>Actuarial Gain (Loss)</i>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<i>Actuarial Present Value (APV)</i>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<i>Actuarial Valuation</i>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<i>Actuarially Determined Contribution (ADC)</i>	A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.
<i>Covered Payroll</i>	The payroll of employees that are provided with OPEB.
<i>Deferred Inflows and Outflows</i>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences or changes of assumptions. The portion of these amounts not included in OPEB expense should be included in the deferred inflows or outflows of resources.

Glossary of Terms

<i>Discount Rate</i>	The discount rate is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).
<i>Entry Age Normal Actuarial Cost Method (EAN)</i>	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability.
<i>GASB</i>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Other Postemployment Benefits (OPEB)</i>	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
	The rate of return on an investment after adjustment to eliminate inflation.
<i>Real Rate of Return</i>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<i>Service Costs</i>	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.
<i>Total OPEB liability</i>	The total OPEB expense is the sum of the following items:
<i>Total OPEB Expense</i>	<ol style="list-style-type: none">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Administrative Expense5. Recognition of Outflow (Inflow) of Resources due to Liabilities

REQUIRED SUPPLEMENTARY INFORMATION

Employees Retirement System Information

A. Total pension liability

	2017	2016	2015	2014
1. Service Cost	\$79,750	\$71,820	\$60,135	\$45,593
2. Interest (on the Total Pension Liability)	86,925	78,853	73,077	72,248
3. Changes of benefit terms	17,918	0	0	0
4. Difference between expected and actual experience	(39,333)	(733)	13,215	(51,216)
5. Changes of assumptions	0	0	33,752	0
6. Benefit payments, including refunds of employee contributions	(71,459)	(33,028)	(90,542)	(33,575)
7. Net change in total pension liability	73,801	116,912	89,637	33,050
8. Total pension liability -- beginning	1,265,707	1,148,795	1,059,158	1,026,108
9. Total pension liability - ending	1,339,508	1,265,707	1,148,795	1,059,158

B. Plan fiduciary net position

1. Contributions - employer	15,693	6,041	8,680	5,355
2. Contributions - employee	48,100	42,148	37,631	38,487
3. Net investment income	201,561	91,321	2,058	74,961
4. Benefit payments, including refunds of employee contributions	(71,459)	(33,028)	(90,542)	(33,575)
5. Administrative Expense	(1,046)	(1,031)	(1,253)	(783)
6. Other	(53)	(56)	(62)	(64)
7. Net change in plan fiduciary net position	192,796	105,395	(43,488)	84,381
8. Plan fiduciary net position - beginning	1,456,594	1,351,199	1,394,688	1,310,307
9. Plan fiduciary net position - ending	1,649,390	1,456,594	1,351,200	1,394,688

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

	<u>(\$309,882)</u>	<u>(\$190,887)</u>	<u>(\$202,405)</u>	<u>(\$335,530)</u>
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D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)

	123.13%	115.08%	117.62%	131.68%
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E. Covered-employee payroll (B.9 / A.9)

	\$962,001	\$842,961	\$752,625	\$769,743
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F. Net pension liability as a percentage of covered employee payroll (C/E)

	-32.21%	-22.64%	-26.89%	-43.59%
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SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% 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:

Notes Adopted 20 yr., any age retirement eligibility.

OPEB Retirement System Information

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	<u>2017</u>
1. Service Cost	\$3,656
2. Interest on Total OPEB Liability	1,531
3. Changes of benefit terms	0
4. Difference between expected and actual experience	0
5. Changes in assumptions or other inputs	3,789
6. Benefit payments	<u>(192)</u>
7. Net changes	8,784
Total OPEB Liability - beginning of year	<u>38,764</u>
Total OPEB Liability - end of year	<u><u>\$47,548</u></u>
E. Covered-employee payroll (B.9 / A.9)	\$962,001
F. Total OPEB Liability as a Percentage of Covered Payroll	4.94%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

	SPECIAL REVENUE		CAPITAL PROJECTS		Total
	Court Technology Fund	Court Building Security Fund	State Forfeiture Fund	Capital Improvement Fund	
ASSETS					
Cash and Cash Equivalents	\$0	\$0	\$0	\$0	\$0
Restricted Assets:					
Cash and Cash Equivalents	1,184	4,264	896	123,774	130,118
Receivables (Net of Allowance for Uncollectibles)				10,345	10,345
Due from Other Funds				1,633	1,633
Total Assets	\$1,184	\$4,264	\$896	\$135,752	\$142,096
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable		\$60		\$3,119	\$3,179
Due to Other Funds		234			234
Total Liabilities	0	294	0	3,119	3,413
Fund Balances					
Restricted					
Court Security Fund		3,970			3,970
Court Technology	1,184				1,184
State Forfeiture			896		896
Committed					
Replacement				132,633	132,633
Unassigned					0
Total Fund Balances	1,184	3,970	896	132,633	138,683
TOTAL LIABILITIES AND FUND BALANCES	\$1,184	\$4,264	\$896	\$135,752	\$142,096

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

CITY OF POTEET, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	SPECIAL REVENUE			CAPITAL PROJECTS	Total
	Court Tech-nology Fund	Court Building Security Fund	State Forfeiture Fund	Capital Improve-ment Fund	
REVENUES					
Charges for Services	\$2,434	\$1,835	\$2,545	\$42,967	\$49,781
Total Revenues	2,434	1,835	2,545	42,967	49,781
EXPENDITURES					
Current:					
General Administration				9,000	9,000
Public Safety					
Municipal Court					0
Police Department		1,849	3,252		5,101
Total Expenditures	0	1,849	3,252	9,000	14,101
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,434	(14)	(707)	33,967	35,680
OTHER FINANCING SOURCES (USES):					
Operating Transfers Out				(23,075)	(23,075)
Total Other Financing Sources (Uses)	0	0	0	(23,075)	(23,075)
Net Changes in Fund Balances	2,434	(14)	(707)	10,892	12,605
Fund Balances - Beginning	(1,250)	3,984	1,603	121,741	126,078
Fund Balances - Ending	\$1,184	\$3,970	\$896	\$132,633	\$138,683

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