

CITY OF LOCKHART, TEXAS

ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2017

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ANNUAL FINANCIAL REPORT
For the year ended September 30, 2017

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
City of Lockhart, Texas

Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 the 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 misstatements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. 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 organization'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.

The Honorable Mayor and Members
of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios and the schedule of employer contributions as listed in the table of contents, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and individual 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 nonmajor fund financial statements and the compliance schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and Members
of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 12, 2018

As management of the City of Lockhart, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2017, by \$42,350,982. Of this amount, \$9,375,749 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$10,866,889, a decrease of \$1,080,973 in comparison with the prior year.
- At September 30, 2017, unassigned fund balance for the General Fund was \$3,897,547 or 46.11% of total General Fund expenditures.
- The total cost of all City activities was \$28,103,957 for the fiscal year which is an increase of \$309,153 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$187,370. This represents a 0.44% increase in net position from the previous fiscal year as a result of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to financial statements.

Organization and Flow of Financial Section Information

Independent Auditors' Report

Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.

Pages 4 to 11

Government-wide Financial Statements

Provides information on governmental and business-type activities of the primary government.

Pages 12 to 15

Fund Financial Statements

Provides information on the financial position of specific funds of the primary governments.

Pages 16 to 27

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 28 to 59

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

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

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 (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from 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 include general government, public safety, public works, parks and recreation, and interest on long-term debt. The business-type activities of the City include electric, water, wastewater, solid waste services, and an airport fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Lockhart Economic Development Corporation, Inc.

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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 government funds and governmental activities.

The City maintained numerous individual governmental funds during the 2016-2017 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund and 2015 Capital Project Fund which are considered major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

The City maintains only 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 uses the enterprise fund to account for its electric, water, wastewater utility services, EMS, solid waste operations, and the airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has four major proprietary funds. They are the electric fund, the water fund, the wastewater fund, and EMSfund. Separate financial statements are presented for the major funds. Individual fund data for each of the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs/operations. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 through 27 of this report.

Notes to 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.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

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, assets and deferred outflows exceeded liabilities and deferred inflows by \$42,350,982 at the close of the 2017 fiscal year.

By far, the largest portion of the City's net position, 72.42%, reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment), less a related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Lockhart, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016*	2017	2016	2017	2016
Current and other assets	\$ 11,892,770	\$ 13,316,330	\$ 19,992,497	\$ 19,587,889	\$ 31,885,267	\$ 32,904,219
Capital assets (net)	23,282,995	23,118,718	22,075,259	21,912,245	45,358,254	45,030,963
Other noncurrent assets	-	-	-	253,469	-	253,469
Total assets	<u>35,175,765</u>	<u>36,435,048</u>	<u>42,067,756</u>	<u>41,753,603</u>	<u>77,243,521</u>	<u>78,188,651</u>
Deferred outflow of resources	<u>1,994,584</u>	<u>2,305,609</u>	<u>624,403</u>	<u>714,842</u>	<u>2,618,987</u>	<u>3,020,451</u>
Current and other liabilities	1,491,546	1,769,474	2,939,323	2,978,855	4,430,869	4,748,329
Noncurrent liabilities	<u>19,938,028</u>	<u>18,831,300</u>	<u>14,579,687</u>	<u>15,334,368</u>	<u>34,517,715</u>	<u>34,165,668</u>
Total liabilities	<u>21,429,574</u>	<u>20,600,774</u>	<u>17,519,010</u>	<u>18,313,223</u>	<u>38,948,584</u>	<u>38,913,997</u>
Deferred outflow of resources	<u>42,290</u>	<u>101,900</u>	<u>12,198</u>	<u>29,593</u>	<u>54,488</u>	<u>131,493</u>
Net position:						
Net investment in						
capital assets	14,162,688	14,806,651	16,507,663	15,074,665	30,670,351	29,881,316
Restricted	1,141,195	1,093,907	1,163,687	1,071,089	2,304,882	2,164,996
Unrestricted, as restated	<u>1,886,148</u>	<u>2,137,425</u>	<u>7,489,601</u>	<u>7,979,875</u>	<u>9,375,749</u>	<u>10,117,300</u>
Total net position	<u>\$ 17,190,031</u>	<u>\$ 18,037,983</u>	<u>\$ 25,160,951</u>	<u>\$ 24,125,629</u>	<u>\$ 42,350,982</u>	<u>\$ 42,163,612</u>

* Prior year restatement see footnote 16

An additional portion of the City's net position, 5.44%, represents resources that are subject to external restrictions on how they may be used (i.e., debt service). The remaining balance of unrestricted net position, \$9,375,749, may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the primary government as a whole.

Governmental activities. Governmental activities decreased the City's net position by \$847,952. Key elements of this decrease are as follows:

- Decrease in charges for services and operating grants of \$594,555.

Business-type activities. Business-type activities increased the City's net position by \$1,035,322 accounting for 100.00% of the total growth in the City's net position. Key elements of this increase are as follows:

- Charges for services were \$712,700 higher due to increase in demand of the various business type activity.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Lockhart, Texas

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016*	2017	2016*	2017	2016*
REVENUES						
Program revenues:						
Charges for services	\$ 1,097,878	\$ 1,279,684	\$ 20,330,035	\$ 19,617,335	\$ 21,427,913	\$ 20,897,019
Operating grants and contributions	202,393	615,542	7,016	-	209,409	615,542
Capital grants and contributions	-	-	195,261	1,042,796	195,261	1,042,796
General revenues:						
Property taxes	3,909,699	3,704,494	-	-	3,909,699	3,704,494
Sales taxes	1,549,695	1,478,065	-	-	1,549,695	1,478,065
Franchise taxes	312,433	316,353	-	-	312,433	316,353
Other taxes	96,529	132,234	-	-	96,529	132,234
Impact fees	-	-	83,585	263,817	83,585	263,817
Investment earnings	99,353	59,851	118,159	61,357	217,512	121,208
Miscellaneous	289,291	239,590	-	263,817	289,291	503,407
Total revenues	7,557,271	7,825,813	20,734,056	21,249,122	28,291,327	29,074,935
EXPENSES						
General government	2,083,166	1,879,383	-	-	2,083,166	1,879,383
Public safety	5,086,371	5,230,470	-	-	5,086,371	5,230,470
Public works	2,644,292	2,586,206	-	-	2,644,292	2,586,206
Health	22,137	17,068	-	-	22,137	17,068
Culture and recreation	1,006,038	933,135	-	-	1,006,038	933,135
Interest on long-term debt	459,629	621,121	-	-	459,629	621,121
Electric system	-	-	8,722,211	8,664,234	8,722,211	8,664,234
Water systems	-	-	3,545,084	3,257,979	3,545,084	3,257,979
Wastewater system	-	-	1,824,111	2,089,407	1,824,111	2,089,407
EMS operation	-	-	1,289,014	1,230,254	1,289,014	1,230,254
Sanitation	-	-	1,345,466	1,215,636	1,345,466	1,215,636
Airport	-	-	76,438	69,911	76,438	69,911
Total expenses	11,301,633	11,267,383	16,802,324	16,527,421	28,103,957	27,794,804
Change in net position before transfers	(3,744,362)	(3,441,570)	3,931,732	4,721,701	187,370	1,280,131
Transfers	2,896,410	2,448,575	(2,896,410)	(2,448,575)	-	-
Change in net position	(847,952)	(992,995)	1,035,322	2,273,126	187,370	1,280,131
Net position - beginning, as restated	18,037,983	19,030,978	24,125,629	21,852,503	42,163,612	40,883,481
Net position - ending	<u>\$ 17,190,031</u>	<u>\$ 18,037,983</u>	<u>\$ 25,160,951</u>	<u>\$ 24,125,629</u>	<u>\$ 42,350,982</u>	<u>\$ 42,163,612</u>

*See footnote 16

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's 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 end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,866,889, a decrease of \$1,080,973 from the prior year.

Approximately 35.86% of this total amount, \$3,897,547, constitutes unassigned fund balance, which is available for spending at the government's discretion. The City also has \$609,054 of fund balance that is committed for specific projects. In addition, there is \$6,324,694 of fund balance that is restricted for specific purposes and \$35,594 that is classified as nonspendable; being that it is not available for new spending because it has already been committed: 1) for prepaid expenditures \$24,322; and 2) for inventory \$11,272.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$3,897,547. Unassigned fund balance represents 46.11% of total General Fund expenditures. The fund balance of the City's General Fund increased by \$484,608 during the current fiscal year.

The primary reason for the decrease in the governmental fund balance was due to the decrease in the capital projects fund balance as a result of spending the prior years' bond proceeds.

Proprietary Funds

The City's proprietary funds, the Electric Fund, the Water Fund, the Wastewater Fund, the EMS Fund, the Sanitation Fund and the Airport Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to \$7,489,601. The total growth for the funds was \$1,035,322 as a result of an increase in charges for services from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual fiscal year revenues in the General Fund were \$256,044 more than the final budgeted amounts. The increase over the anticipated amount is comprised of the following items.

- \$106,369 increase in property tax revenues.
- \$86,303 increase in sales and other tax revenues.
- Overall expenses were less than the budgeted amount by \$863,213, primarily in the general government function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$45,358,254 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in progress. The net increase in the City's investment in capital assets was 0.29%.

City of Lockhart, Texas

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Land	\$ 1,488,954	\$ 1,484,604	\$ 574,710	\$ 574,710	\$ 2,063,664
Construction in progress	608,655	1,510,342	681,574	495,736	1,290,229	2,006,078
Bldgs. and improvements	7,667,359	7,612,641	1,532,823	1,574,507	9,200,182	9,187,148
Infrastructure	12,384,114	11,378,397	19,007,730	18,763,492	31,391,844	30,141,889
Machinery and equipment	<u>1,133,913</u>	<u>1,132,742</u>	<u>278,422</u>	<u>503,800</u>	<u>1,412,335</u>	<u>1,636,542</u>
Total	<u>\$ 23,282,995</u>	<u>\$ 23,118,726</u>	<u>\$ 22,075,259</u>	<u>\$ 21,912,245</u>	<u>\$ 45,358,254</u>	<u>\$ 45,030,971</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,537,601. Of this amount, \$6,650,000 represents General Obligation Tax and Revenue Bonds. The remainder of the City's bonded debt is comprised of \$17,645,000 of Combination Tax and Revenue Certificates of Obligation and unamortized premiums of \$1,242,601. The City's bonded debt had a net decrease of \$1,018,425 during the fiscal year ended September 30, 2017. Additional information on the long-term debt can be found in Note 9.

The City maintains a bond rating of "A" from Standard & Poor's.

As a Home Rule City, the City is not limited by law in the amount of debt it may issue; however, all new local bond issues must be approved by the State Attorney General.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Interest rates are remaining at lower levels and should result in decreased interest earnings.
- The City continues to experience economic growth with the construction of new businesses in the retail and manufacturing sectors.

All of these factors were considered in preparing the City's budget for the 2017-2018 fiscal year.

The certified assessed taxable property valuations for the 2017 tax roll total \$610,063,909 with a tax rate of \$.7260 per \$100 valuation. \$.6077 was allocated for maintenance and operations, and \$.1183 was allocated for interest and sinking (debt service). The projected total property tax due is \$4,295,179 for the 2017 tax year.

Requests for Information

This financial report is designed to provide a general overview of the City's 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 Finance Director, 308 W. San Antonio Street, Lockhart, Texas 78644.

Basic Financial Statements

CITY OF LOCKHART, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lockhart Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,954,825	\$ 14,916,219	\$ 25,871,044	\$ 2,623,549
Receivables (net)	633,949	4,411,666	5,045,615	134,201
Contractual settlement	-	253,469	253,469	-
Due from other governments	268,402	-	268,402	-
Inventory	11,272	411,143	422,415	400,000
Prepaid expenses	24,322	-	24,322	10,000
Total current assets	<u>11,892,770</u>	<u>19,992,497</u>	<u>31,885,267</u>	<u>3,167,750</u>
Noncurrent assets (net)				
Capital assets	<u>23,282,995</u>	<u>22,075,259</u>	<u>45,358,254</u>	<u>646,560</u>
Total noncurrent assets	<u>23,282,995</u>	<u>22,075,259</u>	<u>45,358,254</u>	<u>646,560</u>
Total assets	<u>35,175,765</u>	<u>42,067,756</u>	<u>77,243,521</u>	<u>3,814,310</u>
DEFERRED OUTFLOWS				
Deferred amount on refunding	281,304	197,375	478,679	-
Deferred outflow related to TMRS	<u>1,713,280</u>	<u>427,028</u>	<u>2,140,308</u>	<u>-</u>
Total deferred outflow of resources	<u>1,994,584</u>	<u>624,403</u>	<u>2,618,987</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lockhart Economic Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	\$ 456,651	\$ 1,570,576	\$ 2,027,227	\$ 70,154
Payroll related payables	193,432	38,246	231,678	3,942
Accrued interest payable	78,785	87,981	166,766	-
Due to other governments	23,619	93,019	116,638	-
Customer deposits	30,650	355,478	386,128	-
Accrued compensated absences	106,939	54,994	161,933	2,684
Current portion of long-term liabilities	601,470	739,029	1,340,499	17,494
Total current liabilities	<u>1,491,546</u>	<u>2,939,323</u>	<u>4,430,869</u>	<u>94,274</u>
Noncurrent liabilities				
Accrued compensated absences	320,817	-	320,817	-
Noncurrent portion of long-term liabilities	13,854,110	13,577,718	27,431,828	184,411
Net pension liability	<u>4,271,555</u>	<u>1,001,969</u>	<u>5,273,524</u>	<u>-</u>
Total noncurrent liabilities	<u>18,446,482</u>	<u>14,579,687</u>	<u>33,026,169</u>	<u>184,411</u>
Total liabilities	<u>19,938,028</u>	<u>17,519,010</u>	<u>37,457,038</u>	<u>278,685</u>
DEFERRED INFLOWS				
Deferred inflow related to TMRS	<u>42,290</u>	<u>12,198</u>	<u>54,488</u>	<u>-</u>
Total deferred inflows	<u>42,290</u>	<u>12,198</u>	<u>54,488</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	14,162,688	16,507,663	30,670,351	844,655
Restricted	1,141,195	1,163,687	2,304,882	-
Unrestricted	<u>1,886,148</u>	<u>7,489,601</u>	<u>9,375,749</u>	<u>2,690,970</u>
Total net position	<u>\$ 17,190,031</u>	<u>\$ 25,160,951</u>	<u>\$ 42,350,982</u>	<u>\$ 3,535,625</u>

CITY OF LOCKHART, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 2,083,166	\$ 181,313	\$ -	\$ -
Public safety	5,086,371	334,769	202,393	-
Public works	2,644,292	549,097	-	-
Health	22,137	-	-	-
Culture and recreation	1,006,038	32,699	-	-
Interest on long-term debt	459,629	-	-	-
Total governmental activities	<u>11,301,633</u>	<u>1,097,878</u>	<u>202,393</u>	<u>-</u>
Business-type activities				
Electric	8,722,211	11,444,388	-	-
Water	3,545,084	3,287,603	-	-
Wastewater	1,824,111	2,578,386	-	-
EMS	1,289,014	1,354,810	7,016	195,261
Other	1,421,904	1,664,848	-	-
Total business-type activities	<u>16,802,324</u>	<u>20,330,035</u>	<u>7,016</u>	<u>195,261</u>
Total primary government	<u>\$ 28,103,957</u>	<u>\$ 21,427,913</u>	<u>\$ 209,409</u>	<u>\$ 195,261</u>
Component Unit				
Lockhart Economic Development Corporation	<u>\$ 437,361</u>	<u>\$ 73,125</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Impact fees

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business- type Activities	Total	Lockhart Economic Development Corporation
\$ (1,901,853)	\$ -	\$ (1,901,853)	\$ -
(4,549,209)	-	(4,549,209)	-
(2,095,195)	-	(2,095,195)	-
(22,137)	-	(22,137)	-
(973,339)	-	(973,339)	-
(459,629)	-	(459,629)	-
<u>(10,001,362)</u>	<u>-</u>	<u>(10,001,362)</u>	<u>-</u>
-	2,722,177	2,722,177	-
-	(257,481)	(257,481)	-
-	754,275	754,275	-
-	268,073	268,073	-
-	242,944	242,944	-
<u>-</u>	<u>3,729,988</u>	<u>3,729,988</u>	<u>-</u>
<u>(10,001,362)</u>	<u>3,729,988</u>	<u>(6,271,374)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(364,236)</u>
3,217,538	-	3,217,538	-
692,161	-	692,161	-
1,549,695	-	1,549,695	774,847
312,433	-	312,433	-
96,529	-	96,529	-
-	83,585	83,585	-
99,353	118,159	217,512	16,822
289,291	-	289,291	15,787
<u>2,896,410</u>	<u>(2,896,410)</u>	<u>-</u>	<u>-</u>
<u>9,153,410</u>	<u>(2,694,666)</u>	<u>6,458,744</u>	<u>807,456</u>
(847,952)	1,035,322	187,370	443,220
<u>18,037,983</u>	<u>24,125,629</u>	<u>42,163,612</u>	<u>3,092,405</u>
<u>\$ 17,190,031</u>	<u>\$ 25,160,951</u>	<u>\$ 42,350,982</u>	<u>\$ 3,535,625</u>

CITY OF LOCKHART, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2017

	<u>General</u>	<u>2015 Certificates of Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,382,362	\$ 5,053,969	\$ 1,518,494	\$ 10,954,825
Receivables (net)	465,075	-	168,874	633,949
Due from other funds	18,483	-	-	18,483
Due from other governments	268,402	-	-	268,402
Prepaid expenditures	23,642	-	680	24,322
Inventory	11,272	-	-	11,272
Total assets	<u>\$ 5,169,236</u>	<u>\$ 5,053,969</u>	<u>\$ 1,688,048</u>	<u>\$ 11,911,253</u>
LIABILITIES				
Accounts payable	\$ 136,688	\$ 255,499	\$ 56,524	\$ 448,711
Payroll related payables	193,432	-	-	193,432
Other payables	7,940	-	-	7,940
Due to other funds	-	-	18,483	18,483
Due to other governments	23,619	-	-	23,619
Deposits	-	-	30,650	30,650
Total liabilities	<u>361,679</u>	<u>255,499</u>	<u>105,657</u>	<u>722,835</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	266,042	-	55,487	321,529
Total deferred inflows of resources	<u>266,042</u>	<u>-</u>	<u>55,487</u>	<u>321,529</u>
FUND BALANCES				
Nonspendable				
Prepaid expenditures	23,642	-	680	24,322
Inventory	11,272	-	-	11,272
Restricted				
General government	-	-	664,319	664,319
Tourism	-	-	8,485	8,485
Public safety	-	-	206,068	206,068
Debt service	-	-	285,621	285,621
Various capital projects	-	4,798,470	361,731	5,160,201
Committed				
Sidewalks	31,870	-	-	31,870
Revolving loan	259,674	-	-	259,674
Industrial park	317,510	-	-	317,510
Unassigned	3,897,547	-	-	3,897,547
Total fund balances	<u>4,541,515</u>	<u>4,798,470</u>	<u>1,526,904</u>	<u>10,866,889</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,169,236</u>	<u>\$ 5,053,969</u>	<u>\$ 1,688,048</u>	<u>\$ 11,911,253</u>

The accompanying notes are an integral part of this statement.

CITY OF LOCKHART, TEXAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

September 30, 2017

Total governmental fund balances		\$ 10,866,889
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		
Property taxes	319,661	
Other charges for services	<u>1,868</u>	321,529
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 95,429,623	
Accumulated depreciation of governmental capital assets	<u>(72,146,628)</u>	23,282,995
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	281,304	
Deferred amount on pension	<u>1,713,280</u>	1,994,584
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable	(13,681,287)	
Bond premiums	(774,293)	
Net pension liability	(4,271,555)	
Accrued interest payable	(78,785)	
Compensated absences	<u>(427,756)</u>	(19,233,676)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension		<u>(42,290)</u>
Net position of governmental activities		\$ <u>17,190,031</u>

The accompanying notes are an integral part of this statement.

CITY OF LOCKHART, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2017

	General	2015 Certificates of Obligation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,279,140	\$ -	\$ 692,161	\$ 3,971,301
Sales and other taxes	1,878,820	-	111,401	1,990,221
Fines, fees and forfeitures	271,303	-	655,970	927,273
Licenses and permits	125,761	-	-	125,761
Intergovernmental and grants	199,920	-	2,473	202,393
Investment	38,617	45,926	14,810	99,353
Miscellaneous	215,033	-	72,970	288,003
Total revenues	<u>6,008,594</u>	<u>45,926</u>	<u>1,549,785</u>	<u>7,604,305</u>
EXPENDITURES				
Current				
General government	1,728,059	-	119,799	1,847,858
Public safety	4,525,288	-	225,781	4,751,069
Public works	1,168,180	-	-	1,168,180
Health and welfare	17,207	-	-	17,207
Culture and recreation	877,327	-	12,720	890,047
Capital outlay	136,633	1,607,091	74,295	1,818,019
Debt service				
Principal retirement	-	-	587,160	587,160
Interest and fiscal charges	-	-	500,948	500,948
Paying agent and issue costs	-	-	1,200	1,200
Total expenditures	<u>8,452,694</u>	<u>1,607,091</u>	<u>1,521,903</u>	<u>11,581,688</u>
Excess (deficiency) of revenues over expenditures	(2,444,100)	(1,561,165)	27,882	(3,977,383)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,021,106	-	418,992	3,440,098
Transfers out	(92,398)	-	(451,290)	(543,688)
Total other financing sources	<u>2,928,708</u>	<u>-</u>	<u>(32,298)</u>	<u>2,896,410</u>
Net change in fund balances	484,608	(1,561,165)	(4,416)	(1,080,973)
Fund balances - beginning, as restated	<u>4,056,907</u>	<u>6,359,635</u>	<u>1,531,320</u>	<u>11,947,862</u>
Fund balances - ending	<u>\$ 4,541,515</u>	<u>\$ 4,798,470</u>	<u>\$ 1,526,904</u>	<u>\$ 10,866,889</u>

The accompanying notes are an integral part of this statement.

CITY OF LOCKHART, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2017*

Total net change in fund balances - governmental funds \$ (1,080,973)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 2,234,608	
Depreciation expense	<u>(2,039,034)</u>	195,574

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position. (31,298)

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Bond principal retirement		587,160
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Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

Property taxes	(34,298)	
Other revenues	<u>(12,735)</u>	(47,033)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	7,001	
Decrease in bond premium	61,513	
Decrease in loss on bond refunding	(23,442)	
Decrease in accrued interest	4,448	
Net pension costs	<u>(520,902)</u>	<u>(471,382)</u>

Change in net position of governmental activities \$ (847,952)

The accompanying notes are an integral part of this statement.

CITY OF LOCKHART, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities					Total
	Electric	Water	Wastewater	EMS	Other Funds	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 2,214,006	\$ 9,555,525	\$ 2,127,704	\$ 456,802	\$ 562,182	\$ 14,916,219
Receivables (net)						
Customer accounts	1,932,204	477,466	335,543	1,427,785	238,668	4,411,666
Contractual settlement	-	253,469	-	-	-	253,469
Inventory	411,143	-	-	-	-	411,143
Total current assets	<u>4,557,353</u>	<u>10,286,460</u>	<u>2,463,247</u>	<u>1,884,587</u>	<u>800,850</u>	<u>19,992,497</u>
Noncurrent assets						
Capital assets (net)						
Land and other assets not being depreciated	561,703	241,312	260,699	-	192,570	1,256,284
Buildings, improvements, and equipment (net)	<u>2,363,746</u>	<u>10,324,212</u>	<u>6,234,409</u>	<u>399,633</u>	<u>1,496,975</u>	<u>20,818,975</u>
Total noncurrent assets	<u>2,925,449</u>	<u>10,565,524</u>	<u>6,495,108</u>	<u>399,633</u>	<u>1,689,545</u>	<u>22,075,259</u>
Total assets	<u>7,482,802</u>	<u>20,851,984</u>	<u>8,958,355</u>	<u>2,284,220</u>	<u>2,490,395</u>	<u>42,067,756</u>
DEFERRED OUTFLOWS						
Deferred amount on refunding	-	171,104	26,271	-	-	197,375
Deferred outflow related to TMRS	<u>254,519</u>	<u>66,757</u>	<u>63,795</u>	-	<u>41,957</u>	<u>427,028</u>
Total deferred outflow of resources	<u>254,519</u>	<u>237,861</u>	<u>90,066</u>	-	<u>41,957</u>	<u>624,403</u>

The accompanying notes are an integral part of this statement.

Business-type Activities

	Electric	Water	Wastewater	EMS	Other Funds	Total
LIABILITIES						
Current liabilities						
Accounts payable	\$ 775,270	\$ 228,056	\$ 375,800	\$ 98,616	\$ 92,834	\$ 1,570,576
Payroll related payables	21,819	6,955	5,306	-	4,166	38,246
Accrued interest payable	9,789	64,967	13,225	-	-	87,981
Due to other governments	93,019	-	-	-	-	93,019
Customer deposits	251,025	93,545	-	-	7,000	351,570
Unearned revenue	-	-	-	-	3,908	3,908
Accrued compensated absences	32,398	11,410	7,331	-	3,855	54,994
Current portion of long-term obligations						
Capital leases	129,764	90,175	-	-	-	219,939
Bonds, certificates and notes	47,929	385,191	85,970	-	-	519,090
Total current liabilities	<u>1,361,013</u>	<u>880,299</u>	<u>487,632</u>	<u>98,616</u>	<u>111,763</u>	<u>2,939,323</u>
Noncurrent liabilities						
Net pension liability	580,088	210,941	105,470	-	105,470	1,001,969
Noncurrent portion of long-term obligations	880,949	10,794,712	1,902,057	-	-	13,577,718
Total noncurrent liabilities	<u>1,461,037</u>	<u>11,005,653</u>	<u>2,007,527</u>	<u>-</u>	<u>105,470</u>	<u>14,579,687</u>
Total liabilities	<u>2,822,050</u>	<u>11,885,952</u>	<u>2,495,159</u>	<u>98,616</u>	<u>217,233</u>	<u>17,519,010</u>
DEFERRED INFLOWS						
Deferred inflow related to TMRS	6,710	1,666	3,479	-	343	12,198
Total deferred inflows	<u>6,710</u>	<u>1,666</u>	<u>3,479</u>	<u>-</u>	<u>343</u>	<u>12,198</u>
NET POSITION						
Invested in capital assets, net of debt	1,866,807	7,398,741	5,152,937	399,633	1,689,545	16,507,663
Restricted	198,308	563,643	401,736	-	-	1,163,687
Unrestricted net position	2,843,446	1,239,843	995,110	1,785,971	625,231	7,489,601
Total net position	<u>\$ 4,908,561</u>	<u>\$ 9,202,227</u>	<u>\$ 6,549,783</u>	<u>\$ 2,185,604</u>	<u>\$ 2,314,776</u>	<u>\$ 25,160,951</u>

CITY OF LOCKHART, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

For the year ended September 30, 2017

	Business-type Activities		
	Electric	Water	Wastewater
OPERATING REVENUES			
Charges for services	\$ 11,406,791	\$ 3,270,565	\$ 2,574,845
Miscellaneous	37,597	17,038	3,541
Total operating revenues	<u>11,444,388</u>	<u>3,287,603</u>	<u>2,578,386</u>
OPERATING EXPENSES			
Personnel services	1,025,694	393,688	221,317
Contracts and services	178,807	23,861	27,445
Materials and supplies	68,824	32,178	21,521
Maintenance and repairs	214,153	299,858	277,511
Power, water, and water treatment	6,744,877	1,860,160	979,695
Depreciation	388,222	560,060	218,564
Miscellaneous	63,725	5,349	10,998
Total operating expenses	<u>8,684,302</u>	<u>3,175,154</u>	<u>1,757,051</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	2,760,086	112,449	821,335
NONOPERATING REVENUES (EXPENSES)			
Investment income	15,966	77,728	16,933
Impact fees	-	45,285	38,300
Noncapital grants and contributions	-	-	-
Interest expense	(37,909)	(369,930)	(67,060)
Net nonoperating revenues (expenses)	<u>(21,943)</u>	<u>(246,917)</u>	<u>(11,827)</u>
Income before transfers and contributions	2,738,143	(134,468)	809,508
Contributions and transfers			
Capital grants and contributions	-	-	-
Transfers out	(2,162,600)	(134,253)	(407,005)
Total contributions and transfers	<u>(2,162,600)</u>	<u>(134,253)</u>	<u>(407,005)</u>
Change in net position	575,543	(268,721)	402,503
Net position - beginning	<u>4,333,018</u>	<u>9,470,948</u>	<u>6,147,280</u>
Net position - ending	<u>\$ 4,908,561</u>	<u>\$ 9,202,227</u>	<u>\$ 6,549,783</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>EMS</u>	<u>Other Funds</u>	<u>Total</u>
\$ 1,354,578	\$ 1,645,208	\$ 20,251,987
232	19,640	78,048
<u>1,354,810</u>	<u>1,664,848</u>	<u>20,330,035</u>
-	215,073	1,855,772
1,188,352	1,118,764	2,537,229
1,262	7,467	131,252
3,513	14,026	809,061
-	-	9,584,732
95,887	61,584	1,324,317
-	4,990	85,062
<u>1,289,014</u>	<u>1,421,904</u>	<u>16,327,425</u>
65,796	242,944	4,002,610
3,490	4,042	118,159
-	-	83,585
7,016	-	7,016
-	-	(474,899)
<u>10,506</u>	<u>4,042</u>	<u>(266,139)</u>
76,302	246,986	3,736,471
195,261	-	195,261
-	(192,552)	(2,896,410)
<u>195,261</u>	<u>(192,552)</u>	<u>(2,701,149)</u>
271,563	54,434	1,035,322
<u>1,914,041</u>	<u>2,260,342</u>	<u>24,125,629</u>
<u>\$ 2,185,604</u>	<u>\$ 2,314,776</u>	<u>\$ 25,160,951</u>

CITY OF LOCKHART, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2017

	Business-type Activities		
	Electric	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 11,354,850	\$ 3,273,850	\$ 2,562,091
Cash payments to suppliers for goods and services	(7,395,214)	(2,192,546)	(1,155,055)
Cash payments to employees for services	(1,000,643)	(320,596)	(251,098)
Net cash provided by operating activities	<u>2,958,993</u>	<u>760,708</u>	<u>1,155,938</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Customer deposits	8,400	3,470	-
Noncapital grants and contributions	-	-	-
Impact fees received	-	45,285	38,300
Cash paid to other funds	(2,162,600)	(134,253)	(407,005)
Net cash used by noncapital financing activities	<u>(2,154,200)</u>	<u>(85,498)</u>	<u>(368,705)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(237,260)	(478,576)	(575,253)
Capital grants and contributions	-	-	-
Contractual settlement received	-	238,703	-
Principal paid on capital debt	(296,680)	(541,780)	(74,390)
Interest paid on capital debt	(38,947)	(387,849)	(68,908)
Net cash used by capital financing activities	<u>(572,887)</u>	<u>(1,169,502)</u>	<u>(718,551)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	15,966	77,728	16,933
Net cash provided (used) by investing activities	<u>15,966</u>	<u>77,728</u>	<u>16,933</u>
Net increase (decrease) in cash and cash equivalents	247,872	(416,564)	85,615
Cash and cash equivalents at beginning of year	1,966,134	9,972,089	2,042,089
Cash and cash equivalents at end of year	<u>\$ 2,214,006</u>	<u>\$ 9,555,525</u>	<u>\$ 2,127,704</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 2,760,086	\$ 112,449	\$ 821,335
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	388,222	560,060	218,564
Change in assets and liabilities:			
(Increase) decrease in receivables	(89,538)	(13,753)	(16,295)
(Increase) decrease in inventory	(46,259)	-	-
(Increase) decrease in deferred outflow related to TMRS	45,064	9,172	12,523
Increase (decrease) in accounts and other payables	(78,569)	28,860	162,115
Increase (decrease) in payroll related liabilities	(11,918)	66,863	(40,832)
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in deferred inflow related to TMRS	(8,095)	(2,943)	(1,472)
Net cash provided by operating activities	<u>\$ 2,958,993</u>	<u>\$ 760,708</u>	<u>\$ 1,155,938</u>

The accompanying notes are an integral part of this statement.

<u>Business-type Activities</u>		
<u>EMS</u>	<u>Other Funds</u>	<u>Total</u>
\$ 1,315,045	\$ 1,647,263	\$ 20,153,099
(1,192,793)	(1,149,341)	(13,084,949)
-	(192,038)	(1,764,375)
<u>122,252</u>	<u>305,884</u>	<u>5,303,775</u>
-	75	11,945
7,016	-	7,016
-	-	83,585
-	(192,552)	(2,896,410)
<u>7,016</u>	<u>(192,477)</u>	<u>(2,793,864)</u>
(196,240)	-	(1,487,329)
195,261	-	195,261
-	-	238,703
-	-	(912,850)
-	-	(495,704)
<u>(979)</u>	<u>-</u>	<u>(2,461,919)</u>
3,490	4,042	118,159
<u>3,490</u>	<u>4,042</u>	<u>118,159</u>
131,779	117,449	166,151
<u>325,023</u>	<u>444,733</u>	<u>14,750,068</u>
<u>\$ 456,802</u>	<u>\$ 562,182</u>	<u>\$ 14,916,219</u>
\$ 65,796	\$ 242,944	\$ 4,002,610
95,887	61,584	1,324,317
(39,765)	(18,080)	(177,431)
-	-	(46,259)
-	-	66,759
334	2,876	115,616
-	16,065	30,178
-	495	495
-	-	(12,510)
<u>\$ 122,252</u>	<u>\$ 305,884</u>	<u>\$ 5,303,775</u>

CITY OF LOCKHART, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2017

	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 1,712	\$ 18,965
Total assets	<u>1,712</u>	<u>\$ 18,965</u>
LIABILITIES		
Due to others	<u>-</u>	\$ 18,965
Total liabilities	<u>-</u>	<u>\$ 18,965</u>
NET POSITION		
Held for various purposes	<u>\$ 1,712</u>	

The accompanying notes are an integral part of this statement.

CITY OF LOCKHART, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended September 30, 2017

	Private Purpose Trust
ADDITIONS	
Investment income	\$ 13
Total additions	<u>13</u>
DEDUCTIONS	<u>-</u>
Change in net position	13
Net position - beginning	<u>1,699</u>
Net position - ending	<u>\$ 1,712</u>

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lockhart, Texas (the "City") is a municipal corporation operating under a home rule charter as authorized in Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Council-Manager form of government in which all powers of the City are vested in an elective council. The City Council consists of the mayor and six council members. The mayor and two council members are elected at large with the remaining council members elected by district. The City provides services related to the following: public safety, public works, sanitation, health and welfare, culture and recreation, economic development, planning and zoning, and general administrative services.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units.

The Lockhart Economic Development Corporation (LEDC) is a nonprofit corporation that was incorporated under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6 Section (a), to receive and account for the proceeds of a designated sales tax levied to benefit the economic development of Lockhart. The LEDC meets the criteria of a discretely presented component unit and is presented as a governmental fund type. Complete financial statements for the Lockhart Economic Development Corporation may be obtained at City Hall. No other organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2017.

This component unit is discretely presented in the financial statements. Complete financial statements of the individual component unit can be obtained from the Office of the Finance Director, 308 W. San Antonio Street, Lockhart, Texas 78644.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Government-wide and Fund Financial Statements - (Continued)

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2015 Certificates of Obligation Fund accounts for the proceeds received and expenditures incurred related to the City's issuance of certificates of obligation in 2016. The proceeds from this issue will be used to fund various projects, the majority of which relate to infrastructure improvements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The City reports the following major enterprise (proprietary) funds:

The Electric Fund accounts for the activities of the City related to its provision of electricity.

The Water Fund is used to account for the establishment and maintenance of water facilities within the municipal boundaries of the City.

The Wastewater Fund is used to account for the establishment and maintenance of sewage and drainage facilities within the municipal boundaries of the City.

The Emergency Medical Services Fund (EMS) is used to account for the activities related to providing ambulance services for the City.

Additionally, the City reports the following fund types:

Special Revenue Funds - Funds of this type account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

Capital Projects Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Separate financial statements are provided for governmental funds, proprietary funds, discretely presented component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Private Purpose Trust Funds - These funds are used to account for resources legally held in trust for use by organizations that are separate from the City. All resources of these funds, including any earnings on invested resources, may be used to support the organizations' activities. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds - These funds are custodial in nature and are used to account for the receipt, temporary investment, and remittance of resources to third parties. Because of the nature of these funds, they do not present results of operations or have a measurement focus.

The proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used between various City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets and Budgetary Accounting

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 City's enterprise funds are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost connecting new customers to the water system. 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 City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between 60 and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them. A budget is prepared for the City's General Fund and Debt Service Fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by City Council through the passage of an ordinance no later than the beginning of each fiscal year, or as soon thereafter as is practical.
4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within and among departments of individual funds in amounts not to exceed \$5,000. Any revisions that alter the total expenditures/expenses of any fund must be approved by the City Council.
5. The budgets for the City's governmental funds are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the enterprise funds are adopted under a basis consistent with generally accepted accounting principles (GAAP), except that depreciation, certain capital expenses, nonoperating income, and expense items are not considered.
6. Formal budgetary integration is employed as a management control device during the year for all governmental funds and proprietary funds.
7. All appropriations lapse at year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Deposits and Investments

The City'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.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2017, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

F. 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 "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".

All receivables are reported net of an applicable allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 4.5% of outstanding property taxes at September 30, 2017.

The Caldwell County Appraisal District bills and collects property taxes for the City. These taxes are levied on October 1st of each year and are payable by the following January 31st, at which time penalties and interest charges are assessed on unpaid balances. An enforceable lien on property is attached on all ad valorem taxes unpaid as of January 1st following the year of levy.

G. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures in both government-wide and fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 the lives of assets 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 included as part of the capitalized value of the assets constructed. During the current year, no construction period interest expense was capitalized by the City's enterprise funds.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Public Domain Infrastructure	10-40
Utility System Infrastructure	30-50
Machinery and Equipment	5-10

I. Compensated Absences

Vested or accumulated vacation and sick pay that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation and sick pay that are not expected to be liquidated with expendable available financial resources are reported in the government wide financial statements. Vested or accumulated vacation and sick pay of the enterprise funds are recorded as an expense and liability of that fund as the benefits accrue to employees. The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

J. Long-Term Obligations

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, discounts, and losses on refunding are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. 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 City has two items that qualify for reporting in this category. One is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is the deferred amount calculated in the actuarial pension study required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position

In addition to liabilities, the statement of net position also reports 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 City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB No. 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory or prepaid items) because they are either not in spendable form, or legally or contractually required to be maintained in-tact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

Commitments will only be used for specific purposes pursuant to a formal action (ordinance) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A two-thirds majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

N. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

O. Minimum Fund Balance Policy

The City will maintain a minimum unassigned fund balance in its General Fund of 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. When fund balance falls below the 25 percent range, the City will replenish shortages/deficiencies. Should unassigned fund balance of the General Fund ever exceed the maximum 25 percent range, the City will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations

In the General Fund there was one instance where expenditures exceeded appropriations. Health and Welfare expenditures exceeded the budget by \$6,525.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Public Funds Investment Pools		
TexPool	\$ 6,008,320	44
MBIA Texas CLASS	10,803,103	56
TexStar	<u>8,046,322</u>	41
Total	<u>\$ 24,857,745</u>	

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

A. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of the City's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

B. Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with TexPool, MBIA Texas CLASS and TexStar. The pools operate in full compliance with the Public Funds Investment Act. TexPool, MBIA Texas CLASS and TexStar are rated AAAM by Standard & Poor's.

C. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized. The City's deposits are therefore not subject to custodial credit risk at September 30, 2017.

E. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 19 for discussions relative to the investments of the City's component unit.

NOTE 4: RECEIVABLES

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

	<u>General</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>EMS</u>	<u>Nonmajor Bus.-type Funds</u>	<u>Nonmajor Govt. Funds</u>	<u>Total</u>
Receivables:								
Ad valorem taxes	\$ 317,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,706	\$ 383,955
Franchise taxes	66,302	-	-	-	-	-	-	66,302
Municipal court fines	1,349,839	-	-	-	-	-	98,187	1,448,026
Customer accounts	-	1,971,679	487,253	341,792	2,988,336	243,265	-	6,032,325
Occupancy taxes	-	-	-	-	-	-	22,103	22,103
Miscellaneous	<u>210,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,762</u>	<u>328,322</u>
Gross receivables	1,943,950	1,971,679	487,253	341,792	2,988,336	243,265	304,758	8,281,033
Less: Allowance for uncollectibles	<u>(1,478,875)</u>	<u>(39,475)</u>	<u>(9,787)</u>	<u>(6,249)</u>	<u>(1,560,551)</u>	<u>(4,597)</u>	<u>(135,884)</u>	<u>(3,235,418)</u>
Net total receivables	<u>\$ 465,075</u>	<u>\$ 1,932,204</u>	<u>\$ 477,466</u>	<u>\$ 335,543</u>	<u>\$ 1,427,785</u>	<u>\$ 238,668</u>	<u>\$ 168,874</u>	<u>\$ 5,045,615</u>

NOTE 4: RECEIVABLES - (Continued)

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2017, was \$0.7333 per \$100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and payable by the following January 31st, which comprises the collection dates for the current tax roll.

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). The governmental funds may also defer revenue recognition in connection with resources that have been received, but not yet recognizable (unearned). At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 264,174	\$ -	\$ 264,174
Charges for services	1,868	-	1,868
Nonmajor Funds			
Ad valorem taxes	<u>55,487</u>	<u>-</u>	<u>55,487</u>
	<u>\$ 321,529</u>	<u>\$ -</u>	<u>\$ 321,529</u>

NOTE 5: DUE FROM OTHER GOVERNMENTS

The City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2017:

	<u>General</u>
Sales taxes	\$ 268,402
	<u>\$ 268,402</u>

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,484,604	\$ 4,350	\$ -	\$ 1,488,954
Construction in progress	<u>1,510,342</u>	<u>1,663,764</u>	<u>2,565,451</u>	<u>608,655</u>
Total capital assets not being depreciated	<u>2,994,946</u>	<u>1,668,114</u>	<u>2,565,451</u>	<u>2,097,609</u>
Capital assets, being depreciated				
Machinery and equipment	6,178,538	325,579	159,779	6,344,338
Buildings	11,484,190	304,749	-	11,788,939
Infrastructure	<u>72,728,425</u>	<u>2,470,312</u>	<u>-</u>	<u>75,198,737</u>
Total capital assets being depreciated	<u>90,391,153</u>	<u>3,100,640</u>	<u>159,779</u>	<u>93,332,014</u>
Less accumulated depreciation for				
Machinery and equipment	5,045,796	324,408	159,779	5,210,425
Buildings	3,871,549	250,031	-	4,121,580
Infrastructure	<u>61,350,028</u>	<u>1,464,595</u>	<u>-</u>	<u>62,814,623</u>
Total accumulated depreciation	<u>70,267,373</u>	<u>2,039,034</u>	<u>159,779</u>	<u>72,146,628</u>
Total capital assets being depreciated, net	<u>20,123,780</u>	<u>1,061,606</u>	<u>-</u>	<u>21,185,386</u>
Governmental activities capital assets, net	<u>\$ 23,118,726</u>	<u>\$ 2,729,720</u>	<u>\$ 2,565,451</u>	<u>\$ 23,282,995</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 574,710	\$ -	\$ -	\$ 574,710
Construction in progress	<u>495,736</u>	<u>340,816</u>	<u>154,978</u>	<u>681,574</u>
Total capital assets not being depreciated	<u>1,070,446</u>	<u>340,816</u>	<u>154,978</u>	<u>1,256,284</u>
Capital assets, being depreciated				
Machinery and equipment	5,875,016	196,240	-	6,071,256
Buildings and improvements	4,570,434	-	-	4,570,434
Infrastructure	<u>36,694,515</u>	<u>1,105,253</u>	<u>-</u>	<u>37,799,768</u>
Total capital assets being depreciated	<u>47,139,965</u>	<u>1,301,493</u>	<u>-</u>	<u>48,441,458</u>
Less accumulated depreciation for				
Machinery and equipment	5,371,216	421,618	-	5,792,834
Buildings and improvements	2,995,927	41,684	-	3,037,611
Infrastructure	<u>17,931,023</u>	<u>861,015</u>	<u>-</u>	<u>18,792,038</u>
Total accumulated depreciation	<u>26,298,166</u>	<u>1,324,317</u>	<u>-</u>	<u>27,622,483</u>
Total capital assets being depreciated, net	<u>20,841,799</u>	<u>(22,824)</u>	<u>-</u>	<u>20,818,975</u>
Business-type activities capital assets, net	<u>\$ 21,912,245</u>	<u>\$ 317,992</u>	<u>\$ 154,978</u>	<u>\$ 22,075,259</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities

General government	\$ 105,215
Public safety	286,036
Public works	1,534,637
Health	4,930
Parks and recreation	<u>108,216</u>

Total depreciation expense - governmental activities \$ 2,039,034

Business-type activities

Electric	\$ 388,222
Water	560,060
Wastewater	218,564
EMS	95,887
Solid Waste	8,766
Airport	<u>52,818</u>

Total depreciation expense - business-type activities \$ 1,324,317

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2017 were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	104
Active employees	<u>133</u>
	<u>308</u>

Contributions

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

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.86% and 13.06% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$754,327, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality 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 is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	7.75%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	<u>Total Pension Liability</u>	<u>Increase (Decrease) Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 28,655,653	\$ 23,682,371	\$ 4,973,282
Changes for the year:			
Service cost	809,909	-	809,909
Interest	1,924,544	-	1,924,544
Difference between expected and actual experience	213,804	-	213,804
Change of assumptions	-	-	-
Contributions - Employer	-	708,591	(708,591)
Contributions - Employee	-	358,731	(358,731)
Net investment income	-	1,599,743	(1,599,743)
Benefit payments, including refunds of employee contributions	(1,097,681)	(1,097,681)	-
Administrative expense	-	(18,076)	18,076
Other changes	-	(974)	974
Net changes	<u>1,850,576</u>	<u>1,550,334</u>	<u>300,242</u>
Balance at 12/31/2016	<u>\$ 30,506,229</u>	<u>\$ 25,232,705</u>	<u>\$ 5,273,524</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN - (Continued)

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$9,770,400	\$5,273,524	\$1,620,807

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,346,923.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 406,636	\$ 54,488
Changes in actuarial assumptions	67,148	-
Difference between projected and actual investment earnings	1,087,323	-
Contributions subsequent to the measurement date	579,201	-
Total	\$ 2,140,308	\$ 54,488

\$2,140,308 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 569,814
2018	578,611
2019	358,430
2020	(235)
2021	-
Thereafter	-

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017 and 2016 were \$14,040 and \$14,265, respectively, which equaled the required contributions each year.

NOTE 9: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,381,395	\$ -	\$ (587,160)	\$ 8,794,235	\$ 601,470
General obligation bonds	4,887,052	-	-	4,887,052	-
Total bonds and certificates payable	<u>14,268,447</u>	<u>-</u>	<u>(587,160)</u>	<u>13,681,287</u>	<u>601,470</u>
Bond premium	835,806	-	(61,513)	774,293	-
Compensated absences	434,757	301,570	(308,571)	427,756	106,939
Net pension liability	3,978,626	292,929	-	4,271,555	-
Total governmental activity long-term liabilities	<u>\$ 19,517,636</u>	<u>\$ 594,499</u>	<u>\$ (957,244)</u>	<u>\$ 19,154,891</u>	<u>\$ 708,409</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,070,641	\$ -	\$ (219,876)	\$ 8,850,765	\$ 243,530
General obligation bonds	1,880,560	-	(117,612)	1,762,948	120,000
Total bonds and certificates payable	<u>10,951,201</u>	<u>-</u>	<u>(337,488)</u>	<u>10,613,713</u>	<u>363,530</u>
Bond premium	500,572	-	(32,264)	468,308	-
State infrastructure note	3,166,553	-	(151,766)	3,014,787	155,560
Capital leases payable	643,534	-	(423,595)	219,939	219,939
Compensated absences	55,349	70,206	(70,561)	54,994	54,994
Net pension liability	994,656	7,313	-	1,001,969	-
Total business-type activity long-term liabilities	<u>\$ 16,311,865</u>	<u>\$ 77,519</u>	<u>\$ (1,015,674)</u>	<u>\$ 15,373,710</u>	<u>\$ 794,023</u>

NOTE 9: LONG-TERM DEBT - (Continued)

B. Bonds and Certificates Payable - Governmental Activities

Bonds and certificates payable of the City's governmental activities at September 30, 2017, were comprised of the following individual issues:

2009 Certificates of Obligation due in annual installments ranging from \$135,000 to \$140,000 through August 1, 2018; interest rate at 4.77%.	\$ 140,000
2006 Combination Certificates of Obligation due in annual installments ranging from \$30,000 to \$45,000 through August 1, 2021; interest rate at 4.10%.	175,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$167,436 to \$260,456 through August 1, 2021; interest rate at 4.12%.	971,850
2015 Combination Certificates of Obligation due in annual installments ranging from \$184,400 to \$596,995 through August 1, 2035; interest rate at 3.39%.	7,507,385
2016 General Obligation Refunding Bonds due in annual installments ranging from \$205,700 to \$680,680 through August 1, 2028; interest rate at 3.6%.	<u>4,887,052</u>
	<u>\$ 13,681,287</u>

Annual debt service requirements to maturity for the City's governmental activity bonds and certificates are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 601,470	\$ 483,207	\$ 1,084,677
2019	690,800	456,409	1,147,209
2020	727,162	432,504	1,159,666
2021	745,722	408,367	1,154,089
2022	903,038	382,584	1,285,622
2023-2027	3,982,485	1,198,283	5,180,768
2028-2032	3,760,185	697,755	4,457,940
2033-2035	<u>2,270,425</u>	<u>197,106</u>	<u>2,467,531</u>
	<u>\$ 13,681,287</u>	<u>\$ 4,256,215</u>	<u>\$ 17,937,502</u>

The City is scheduled to receive annual installments ranging from \$48,093 to \$65,676 from LEDC and annual installments ranging from \$170,304 to \$290,798 from Wastewater Utility Fund for the 2015 Combination Certificates of Obligation through August 1, 2035.

NOTE 9: LONG-TERM DEBT - (Continued)

C. Bonds and Certificates Payable - Business-type Activities

Bonds and certificates payable of the City's business-type activities at September 30, 2017, were comprised of the following individual issues:

2009 General Obligation Refunding Bonds due in annual installments of \$115,000 to \$120,000 through February 1, 2018; interest rate at 4.33%.	\$ 120,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$16,403 to \$19,544 through August 1, 2012; interest rate at 4.12%.	73,150
2015 Combination Certificates of Obligation due in annual installments ranging from \$215,600 to \$698,005 through August 1, 2035; interest rate at 3.39%.	8,777,615
2016 General Obligation Refunding Bonds due in annual installments of \$69,300 to \$229,320 through February 1, 2028; interest rate at 3.60%.	<u>1,642,948</u>
	<u>\$ 10,613,713</u>

The annual debt service requirements to maturity for the above-listed obligations of the City's business-type activities are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 363,530	\$ 365,712	\$ 729,242
2019	324,200	351,136	675,336
2020	337,838	342,890	680,728
2021	344,278	334,589	678,867
2022	606,962	324,041	931,003
2023-2027	2,692,515	1,042,005	3,734,520
2028-2032	3,289,815	748,857	4,038,672
2033-2035	<u>2,654,575</u>	<u>230,456</u>	<u>2,885,031</u>
	<u>\$ 10,613,713</u>	<u>\$ 3,739,686</u>	<u>\$ 14,353,399</u>

NOTE 9: LONG-TERM DEBT - (Continued)

D. State Infrastructure Notes - Business-type Activities

2013 State Infrastructure Bank Loan is due in annual installments of \$230,000 through June 2033, interest rate of 2.5%.

Annual debt service requirements to maturity for the City's business-type activity State Infrastructure Notes are as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$ 155,560	\$ 75,370	\$ 230,930
2019	159,449	71,481	230,930
2020	163,435	67,495	230,930
2021	167,521	63,409	230,930
2022	171,709	59,221	230,930
2023-2027	925,124	229,526	1,154,650
2028-2032	1,046,692	107,958	1,154,650
2033	225,297	5,633	230,930
	<u>\$ 3,014,787</u>	<u>\$ 680,093</u>	<u>\$ 3,694,880</u>

D. Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

Year Ending September 30	Business-type Activities
2018	<u>\$ 219,939</u>
Total minimum lease payments	<u>\$ 219,939</u>

E. Debt Reserves

There are certain reserve requirements for the various debt issues that are currently outstanding. The following are the reserve requirements by issue:

	Reserve Requirement
2006 Combination Certificates of Obligation	\$ 3,500
2006A Combination Certificates of Obligation	20,900
2009 General Obligation Refunding Bonds	2,400
2009 Combination Certificates of Obligation	2,800
2015 Combination Certificates of Obligation	325,700
2016 General Obligation Refunding Bonds	130,600
	<u>\$ 485,900</u>

NOTE 9: LONG-TERM DEBT - (Continued)

F. Debt Reserves - (Continued)

The cash balances reserved for the reserve requirements are as follows:

<u>Fund</u>	<u>Cash</u>
Debt Service I & S Fund	\$ 285,621
Water Utility Fund	<u>200,279</u>
	<u>\$ 485,900</u>

NOTE 10: CONDUIT DEBT OBLIGATIONS

Lockhart-Luling Water Delivery System

The Guadalupe-Blanco River Authority (GBRA) contracted with the City in 2002 to provide a reliable quantity of treated water through the Luling Water Treatment Plant. For the mutual benefit of the parties, GBRA, the City of Luling, and the City of Lockhart entered into an agreement that enabled GBRA to pump treated water from the Luling Water Treatment Plant to the Lockhart Treatment Plant ground storage reservoir through the water delivery system.

GBRA issued \$4,950,000 in Contract Revenue Refunding Bonds in fiscal year 2014 for the water delivery system. As of September 30, 2017, there was \$4,215,000 bonds outstanding. Through the agreement, the City has agreed to pay GBRA on an annual basis for twenty-five years the following:

- (a.) principal and interest on any bonds issued to pay off the financing, refinancing, design, permitting, construction, and equipping the project;
- (b.) operation and maintenance of the water delivery system;
- (c.) operation and maintenance of the Luling Water Treatment Plant;
- (d.) reserve and contingency fund payments, if any; and
- (e.) capital recovery charges.

NOTE 10: CONDUIT DEBT OBLIGATIONS - (Continued)

Lockhart Wastewater Treatment Plant

GBRA entered into a contract on June 15, 1994 with the City whereby GBRA would construct a Regional Wastewater Treatment System to receive, treat and dispose of wastewater collected by the City's collection system.

GBRA issued \$4,025,000 of Contract Revenue Refunding Bonds in the fiscal year 2010 for the treatment system. As of September 30, 2017 there were no refunding bonds outstanding. Under the provisions of the contract, the City has agreed to pay GBRA through 2017 the following:

(a.) all operation and maintenance expenses of the Regional Wastewater Treatment System; (b.) amounts necessary to pay debt service on the bonds; (c.) amounts necessary to establish and maintain funds established by the resolution authorizing the issuance of the bonds; and (d.) amounts necessary to restore any deficiency in funds established by the resolution.

NOTE 11: CONTRACTUAL SETTLEMENT

The City reached a settlement agreement with a vendor during the 2006 fiscal year in a dispute over the performance of equipment used in its utility system infrastructure. Under the settlement agreement, the vendor agreed to pay the City a total of \$3,210,173 in multiple installments extending through the year 2018. As of September 30, 2017, the City had received \$2,956,704 in scheduled installment payments. The remaining balance due the City is reported as receivable in the accompanying government-wide and proprietary fund Statements of Net Position.

NOTE 12: 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. During the year ended September 30, 2017, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13: RELATED PARTY TRANSACTIONS

During the fiscal year ending September 30, 2017, LEDC (a discretely presented component unit of the City) transferred a total of \$87,561 to the City. The City's Debt Service Fund, a nonmajor governmental fund, received \$48,093 to be used to pay debt service costs related to qualifying economic development projects previously paid for by debt issued by the City. The remaining transfers pertained to the reimbursement of eligible current period expenditures incurred by the City related to economic development activities and administrative services provided to LEDC by the City.

NOTE 14: CONTINGENCIES AND COMMITMENTS

A. Litigation

The City was not involved in any significant litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectibility of any related receivables at September 30, 2017, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

C. Water Purchase Commitment

The City has entered into an agreement with the Guadalupe-Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA through December 31, 2027.

NOTE 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2017, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	<u>\$ 18,483</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General</u>	<u>Nonmajor Govt.</u>	<u>Total</u>
General	\$ -	\$ 92,398	\$ 92,398
Electric	2,162,600	-	2,162,600
Water	134,253	-	134,253
Wastewater	236,701	170,304	407,005
Sanitation	192,552	-	192,552
Nonmajor govt.	295,000	156,290	451,290
	<u>\$ 3,021,106</u>	<u>\$ 418,992</u>	<u>\$3,440,098</u>

NOTE 16: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

A restatement was made to the beginning balances of the capital assets of the governmental activities. The result of the restatement decreased the government activities net position by \$194,379 decreased the beginning capital assets by \$194,288 and increased accumulated depreciation by \$91.

In addition, there was a restatement as a decrease to the beginning fund balance in the major governmental capital project of \$93,535 with a corresponding increase to the nonmajor governmental funds beginning fund balance.

NOTE 17: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2017:

	Governmental Fund Balances				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid expenditures	\$ 23,642	\$ -	\$ -	\$ -	\$ 23,642
Inventory	11,272	-	-	-	11,272
Sidewalks	-	-	31,870	-	31,870
Revolving loan	-	-	259,674	-	259,674
Industrial park	-	-	317,510	-	317,510
Unassigned	-	-	-	3,897,547	3,897,547
2015 Cert. of Oblig.					
Various capital projects	-	4,798,470	-	-	4,798,470
Nonmajor Governmental					
Prepaid expenditures	680	-	-	-	680
Various capital projects	-	361,731	-	-	361,731
General government	-	664,319	-	-	664,319
Tourism	-	8,485	-	-	8,485
Public safety	-	206,068	-	-	206,068
Debt service	-	285,621	-	-	285,621
	<u>\$ 35,594</u>	<u>\$ 6,324,694</u>	<u>\$ 609,054</u>	<u>\$ 3,897,547</u>	<u>\$10,866,889</u>

NOTE 18: TAX ABATEMENTS AND REBATES

The City of Lockhart enters into tax abatement and rebate agreements with local businesses under the state local government code, title 12, subtitle A, chapter 380. Under the code, the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans or grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2017, the City of Lockhart rebated sales taxes totaling \$5,436 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$5,436.

NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION

As described in Note 1, the Lockhart Economic Development Corporation is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit:

A. Organization

The Lockhart Economic Development Corporation (LEDC), a public instrumentality and nonprofit corporation, was created under Section 4B of the Development Corporation Act of 1979, Article 5190.6 of the Revised Civil Statutes of Texas (the "Act") on June 26, 1996. Under the Act, the Board of Directors consists of seven members appointed by and who serve at the pleasure of the City Council of the City for two-year terms.

LEDC may enter into any project authorized by the Act including, but not limited to, such projects as promotion and development of new and expanded business enterprises, job training centers, infrastructure improvements, public safety, municipal buildings, civic centers, recreation facilities, and other related facilities.

LEDC prepares annual financial statements as of September 30th of each year. LEDC reports its financial results as a governmental type of entity.

B. Summary of Significant Accounting Policies

The accounting and reporting policies of LEDC conform to GAAP, as applicable to governmental units. The more significant of LEDC's accounting policies are described below.

1. Reporting Entity - Component Unit Status

LEDC meets the criteria established by GASB to be a component unit of the City, due to the fact that the City Council of Lockhart appoints each member of its Board of Directors. LEDC is included in the City's annual financial statements as a discretely presented component unit.

2. Government-wide and Fund Accounting

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of LEDC.

The combined Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expenses of LEDC are offset by program revenues. Direct expenses are those that are clearly identifiable with the LEDC's specific function, that of economic development. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. For the year ended September 30, 2017, all of LEDC's revenues were classified as general revenues.

The government-wide and fund financial statements are provided for LEDC with a column for adjustments between the two statements.

NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

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

The government-wide information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund (i.e., the column labeled "General Fund") financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Sales taxes and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when LEDC receives cash.

The Corporation reports the following governmental fund type:

Major Fund - The General Fund is LEDC's operating fund. All financial resources are accounted for in the General Fund. The General Fund's transactions consist primarily of revenues realized from the collection of sales tax revenue dedicated to the purpose of economic development and transfers to the City (reported as economic development expenditures) to be used for purposes authorized by LEDC's enabling legislation.

LEDC reports no other funds.

4. Cash, Cash Equivalents, and Investments

Cash includes all amounts on deposit with financial institutions in demand accounts. All short-term investments that are highly liquid are considered to be cash equivalents. An investment is considered highly liquid if it is convertible to a known amount of cash and has a maturity date of no longer than three months from the date the investment was purchased.

LEDC may invest in any instruments authorized by the Public Funds Investment Act of the State of Texas. These instruments include, but are not limited to, the following: obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposit issued by state or national banks which are guaranteed or insured by the FDIC; and deposits in statewide investment pools which meet certain restrictive criteria. LEDC reports its investments at fair value.

NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

5. Budgets and Budgetary Accounting

The Board of Directors submits an annual budget to the City for approval in accordance with the Texas Municipal Budget Act. By September of each year, the Board of Directors, with approval by the City, adopts an annual fiscal year budget for the General Fund. Once approved, the Board of Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget of LEDC is prepared on a modified accrual basis of accounting. Revenues are budgeted in the year receipts are expected, and expenditures are budgeted in the year that the applicable purchase occurs. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

6. Federal Income Taxes

LEDC is exempt from Federal income taxes due to its classification as a governmental entity under the guidelines of the Internal Revenue Service.

7. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires LEDC to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

C. Deposits and Investments

LEDC pools its funds with the City for investment, and as such, follows the City's policies and procedures pertaining to investment transactions. Following is a discussion of various risks associated with the City's (and accordingly LEDC's) investments as of and for the year ending September 30, 2017:

1. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to one year or less from the time of purchase.

2. Credit Risk

As previously mentioned, it is LEDC's policy to limit its investments to those that are authorized under the Texas Public Funds Investment Act. Additionally, any money market mutual funds or local government investment pools must be rated no lower than AAA by at least one nationally recognized rating service. As of September 30, 2017, TexPool was rated AAAM by Standard and Poor's and MBIA Texas CLASS was rated AAA/V-1+ by Fitch.

3. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. As such, at year-end LEDC was not exposed to concentration of credit risk.

NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

4. Custodial Credit Risk - Deposits

Custodial credit risk refers to the risk that in the event of a bank failure, LEDC's deposits may not be returned to it. The City's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2017, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

It is managements' understanding that the LEDC, a discretely presented component unit, and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, the Corporation's bank deposits may not be insured above \$250,000 even though they are secured by the pledged collateral agreement of the City.

5. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

D. Sales Taxes

LEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. LEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2017, was \$134,201. The City collects the sales tax from the State of Texas and then pays LEDC's portion monthly when collected.

E. Restricted Net Position

The legislation under which LEDC was created restricts the use of sales tax revenue received by LEDC to projects related to quality of life improvements, including economic development that will attract and retain primary employers. Some of the types of projects authorized in the legislation are listed previously. There were no restrictions on LEDC's net position as of September 30, 2017, other than those imposed through the enabling legislation.

F. Inventory

Inventory consists of various tracts of land that LEDC has purchased to be used for future economic development projects. There was no change in the inventory from the previous year.

NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Capital Assets

The LEDC owns two buildings which are rented to businesses. The total cost of the facilities are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Discretely presented component unit				
Capital assets, not being depreciated				
Land	\$ 264,857	\$ -	\$ 156,857	\$ 108,000
Total capital assets not being depreciated	<u>264,857</u>	<u>-</u>	<u>156,857</u>	<u>108,000</u>
Capital assets, being depreciated				
Buildings	2,035,053	-	1,423,053	612,000
Total capital assets being depreciated	<u>2,035,053</u>	<u>-</u>	<u>1,423,053</u>	<u>612,000</u>
Less accumulated depreciation for				
Buildings	141,292	21,073	88,925	73,440
Total accumulated depreciation	<u>141,292</u>	<u>21,073</u>	<u>88,925</u>	<u>73,440</u>
Total capital assets being depreciated, net	<u>1,893,761</u>	<u>(21,073)</u>	<u>1,334,128</u>	<u>538,560</u>
Discretely presented component unit capital assets, net	<u>\$ 2,158,618</u>	<u>\$ (21,073)</u>	<u>\$ 1,490,985</u>	<u>\$ 646,560</u>

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

Discretely presented component unit

 General government \$ 21,073

H. Long-Term Debt

An analysis of changes in long term-debt is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Discretely presented component unit					
Notes payable	\$ 1,114,604	\$ -	\$ (912,699)	\$ 201,905	\$ 17,494
Compensated absences	-	4,234	(1,550)	2,684	2,684
Total discretely presented component unit	<u>\$ 1,114,604</u>	<u>\$ 4,234</u>	<u>\$ (914,249)</u>	<u>\$ 204,589</u>	<u>\$ 20,178</u>

NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

H. Long-Term Debt - (Continued)

Maturities of long term-debt is as follows:

Year Ending September 30	Principal	Interest	Total
2018	\$ 17,494	\$ 8,717	\$ 26,211
2019	18,298	7,913	26,211
2020	19,138	7,073	26,211
2021	20,017	6,193	26,211
2022	20,937	5,274	26,211
2023-2027	106,021	1,297	107,318
	<u>\$ 201,905</u>	<u>\$ 36,467</u>	<u>\$ 238,372</u>

I. Contingencies and Commitments

1. Litigation

LEDC was not involved in any litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

2. Commitments

The LEDC is scheduled to make annual installments ranging from \$48,093 to \$65,676 to the City for the 2015 Combination Certificates of Obligation through August 1, 2035.

j. tax Abatements and Rebates

The Lockhart Economic Development Corporation enters into tax rebate agreements with local businesses under the state local government code, title 12, subtitle C1, chapter 505. Under the code, the governing body of a municipality may create a Type B corporation and provide for the administration of one or more programs, including programs for making loans or grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2017, the Lockhart Economic Development Corporation rebated sales taxes totaling \$2,718 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$2,718.

Required Supplementary Information

CITY OF LOCKHART, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

For the year ended September 30, 2017

	Budget	Actual	Variance with Final Budget
	Original / Final	Amounts	Positive (Negative)
REVENUES			
Property taxes	\$ 3,172,771	\$ 3,279,140	\$ 106,369
Sales and other taxes	1,792,517	1,878,820	86,303
Fines, fees, and forfeitures	297,006	271,303	(25,703)
Licenses and permits	175,000	125,761	(49,239)
Intergovernmental and grants	166,224	199,920	33,696
Investment	14,600	38,617	24,017
Miscellaneous	134,432	215,033	80,601
Total revenues	<u>5,752,550</u>	<u>6,008,594</u>	<u>256,044</u>
EXPENDITURES			
Current			
General government	2,401,752	1,728,059	673,693
Public safety	4,654,563	4,525,288	129,275
Public works	1,218,816	1,168,180	50,636
Health and welfare	10,682	17,207	(6,525)
Culture and recreation	893,094	877,327	15,767
Capital outlay	137,000	136,633	367
Total expenditures	<u>9,315,907</u>	<u>8,452,694</u>	<u>863,213</u>
Excess (deficiency) of revenues over expenditures	(3,563,357)	(2,444,100)	1,119,257
OTHER FINANCING SOURCES (USES)			
Transfers in	2,915,546	3,021,106	105,560
Transfers out	(86,523)	(92,398)	(5,875)
Total other financing sources (uses)	<u>2,829,023</u>	<u>2,928,708</u>	<u>99,685</u>
Net change in fund balance	(734,334)	484,608	1,218,942
Fund balance - beginning	4,056,907	4,056,907	-
Fund balance - ending	<u>\$ 3,322,573</u>	<u>\$ 4,541,515</u>	<u>\$ 1,218,942</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LOCKHART, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last ten years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 659,622	\$ 755,292	\$ 809,909
Interest (on the total pension liability)	1,759,695	1,840,606	1,924,544
Difference between expected and actual experience	(275,265)	541,546	213,804
Change of assumptions	-	143,888	-
Benefit payments, including refunds of employee contributions	<u>(987,219)</u>	<u>(1,084,811)</u>	<u>(1,097,681)</u>
Net Change in Total Pension Liability	1,156,833	2,196,521	1,850,576
Total Pension Liability - Beginning	<u>25,302,299</u>	<u>26,459,132</u>	<u>28,655,653</u>
Total Pension Liability - Ending (a)	<u>\$ 26,459,132</u>	<u>\$ 28,655,653</u>	<u>\$ 30,506,229</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 662,456	\$ 721,903	\$ 708,591
Contributions - Employee	321,581	352,824	358,731
Net investment income	1,282,369	34,935	1,599,743
Benefit payments, including refunds of employee contributions	(987,219)	(1,084,811)	(1,097,681)
Administrative expense	(13,388)	(21,283)	(18,076)
Other	<u>(1,101)</u>	<u>(1,051)</u>	<u>(974)</u>
Net Change in Plan Fiduciary Net Position	1,264,698	2,517	1,550,334
Plan Fiduciary Net Position - Beginning	<u>22,415,156</u>	<u>23,679,854</u>	<u>23,682,371</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 23,679,854</u>	<u>\$ 23,682,371</u>	<u>\$ 25,232,705</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,779,278</u>	<u>\$ 4,973,282</u>	<u>\$ 5,273,524</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.50%	82.64%	82.71%
Covered Employee Payroll	\$ 5,359,686	\$ 5,730,595	\$ 5,937,749
Net Pension Liability as a Percentage of Covered Employee Payroll	51.86%	86.78%	88.81%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LOCKHART, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last ten fiscal years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 692,664	\$ 734,637	\$ 754,327
Contribution in relation to the actuarially determined contribution	<u>(692,664)</u>	<u>(734,637)</u>	<u>(754,327)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,617,224	\$ 6,129,529	\$ 5,911,532
Contributions as a percentage of covered employee payroll	12.33%	11.99%	12.76%

NOTE: Information for the prior seven fiscal years was not readily available. The City will compile the respective information over the next seven fiscal years.

The accompanying notes to required supplementary information are an integral part of this schedule.

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. There was one line item where actual expenditures exceeded the budgeted amount, this was health and welfare and the excess expenditure amount was \$6,525.

NOTE 2: TEXAS MUNICIPAL RETIREMENT SYSTEM

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% 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

There were no benefit changes during the year.

Combining and Individual Fund Statements

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 840,492	\$ 285,621	\$ 392,381	\$ 1,518,494
Receivables (net)	113,387	55,487	-	168,874
Prepaid expenditures	680	-	-	680
Total assets	<u>\$ 954,559</u>	<u>\$ 341,108</u>	<u>\$ 392,381</u>	<u>\$ 1,688,048</u>
LIABILITIES				
Accounts payable	\$ 56,524	\$ -	\$ -	\$ 56,524
Due to other funds	18,483	-	-	18,483
Deposits	-	-	30,650	30,650
Total liabilities	<u>75,007</u>	<u>-</u>	<u>30,650</u>	<u>105,657</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	55,487	-	55,487
Total deferred inflows of resources	<u>-</u>	<u>55,487</u>	<u>-</u>	<u>55,487</u>
FUND BALANCES				
Nonspendable				
Prepaid expenditures	680	-	-	680
Restricted				
General government	664,319	-	-	664,319
Tourism	8,485	-	-	8,485
Public safety	206,068	-	-	206,068
Debt service	-	285,621	-	285,621
Various capital projects	-	-	361,731	361,731
Total fund balances	<u>879,552</u>	<u>285,621</u>	<u>361,731</u>	<u>1,526,904</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 954,559</u>	<u>\$ 341,108</u>	<u>\$ 392,381</u>	<u>\$ 1,688,048</u>

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Total Nonmajor Special <u>Revenue Funds</u>	Total Nonmajor Debt <u>Service Fund</u>	Total Nonmajor Capital <u>Project Funds</u>	<u>Total</u>
REVENUES				
Property taxes	\$ -	\$ 692,161	\$ -	\$ 692,161
Sales and other taxes	111,401	-	-	111,401
Fines, fees, and forfeitures	655,970	-	-	655,970
Intergovernmental and grants	2,473	-	-	2,473
Investment	6,570	5,115	3,125	14,810
Miscellaneous	-	<u>72,970</u>	-	<u>72,970</u>
Total revenues	<u>776,414</u>	<u>770,246</u>	<u>3,125</u>	<u>1,549,785</u>
EXPENDITURES				
Current				
General government	119,799	-	-	119,799
Public safety	225,781	-	-	225,781
Culture and recreation	12,720	-	-	12,720
Capital outlay	-	-	74,295	74,295
Debt service				
Principal retirement	-	587,160	-	587,160
Interest and fiscal charges	-	500,948	-	500,948
Paying agent and issue costs	-	<u>1,200</u>	-	<u>1,200</u>
Total expenditures	<u>358,300</u>	<u>1,089,308</u>	<u>74,295</u>	<u>1,521,903</u>
Excess (deficiency) of revenues over expenditures	418,114	(319,062)	(71,170)	27,882
OTHER FINANCING SOURCES (USES)				
Transfers in	92,398	326,594	-	418,992
Transfers out	<u>(451,290)</u>	<u>-</u>	<u>-</u>	<u>(451,290)</u>
Total other financing sources (uses)	<u>(358,892)</u>	<u>326,594</u>	<u>-</u>	<u>(32,298)</u>
Net change in fund balances	59,222	7,532	(71,170)	(4,416)
Fund balances - beginning, as restated	<u>820,330</u>	<u>278,089</u>	<u>432,901</u>	<u>1,531,320</u>
Fund balances - ending	<u>\$ 879,552</u>	<u>\$ 285,621</u>	<u>\$ 361,731</u>	<u>\$ 1,526,904</u>

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2017

	Radio Tower Equipment Replacement	Forfeited Property	Hotel / Motel Occupancy Tax	TCEQ NPS Grant	Road Impact Fees #1	Road Impact Fees #2
ASSETS						
Current assets						
Cash and cash equivalents	\$ 64,069	\$ 3,662	\$ 160	\$ 5,907	\$ 462,906	\$ 6,056
Receivables (net)	-	-	22,103	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Total assets	<u>\$ 64,069</u>	<u>\$ 3,662</u>	<u>\$ 22,263</u>	<u>\$ 5,907</u>	<u>\$ 462,906</u>	<u>\$ 6,056</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 12,106	\$ -	\$ -	\$ -
Due to other funds	-	-	7,579	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>19,685</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted						
General government	-	-	-	-	462,906	6,056
Tourism	-	-	2,578	5,907	-	-
Public safety	64,069	3,662	-	-	-	-
Total fund balances	<u>64,069</u>	<u>3,662</u>	<u>2,578</u>	<u>5,907</u>	<u>462,906</u>	<u>6,056</u>
Total liabilities and fund balances	<u>\$ 64,069</u>	<u>\$ 3,662</u>	<u>\$ 22,263</u>	<u>\$ 5,907</u>	<u>\$ 462,906</u>	<u>\$ 6,056</u>

<u>Municipal Court Technology</u>	<u>Radio System Maintenance</u>	<u>Municipal Court Security</u>	<u>Child Safety</u>	<u>Court Efficiency</u>	<u>Juvenile Case Manager</u>	<u>Truancy Court</u>
\$ 6,801	\$ 110,858	\$ 10,172	\$ 18,195	\$ 9,174	\$ 9,986	\$ 353
730	-	547	440	106	1,028	31
-	-	-	-	-	-	-
<u>\$ 7,531</u>	<u>\$ 110,858</u>	<u>\$ 10,719</u>	<u>\$ 18,635</u>	<u>\$ 9,280</u>	<u>\$ 11,014</u>	<u>\$ 384</u>
\$ -	\$ 43,684	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	43,684	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,531	67,174	10,719	18,635	9,280	11,014	384
<u>7,531</u>	<u>67,174</u>	<u>10,719</u>	<u>18,635</u>	<u>9,280</u>	<u>11,014</u>	<u>384</u>
<u>\$ 7,531</u>	<u>\$ 110,858</u>	<u>\$ 10,719</u>	<u>\$ 18,635</u>	<u>\$ 9,280</u>	<u>\$ 11,014</u>	<u>\$ 384</u>

(continued)

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2017

	Cable Education	Transportation System Improvmts	Drainage System Improvmts	Law Enforcement Education - Police	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 13,621	\$ 74,837	\$ 29,455	\$ 14,280	\$ 840,492
Receivables (net)	6,082	54,386	27,934	-	113,387
Prepaid expenditures	-	-	-	680	680
Total assets	<u>\$ 19,703</u>	<u>\$ 129,223</u>	<u>\$ 57,389</u>	<u>\$ 14,960</u>	<u>\$ 954,559</u>
LIABILITIES					
Accounts payable	\$ 54	\$ -	\$ -	\$ 680	\$ 56,524
Due to other funds	-	-	10,904	-	18,483
Total liabilities	<u>54</u>	<u>-</u>	<u>10,904</u>	<u>680</u>	<u>75,007</u>
FUND BALANCES					
Nonspendable	-	-	-	680	680
Restricted					
General government	19,649	129,223	46,485	-	664,319
Tourism	-	-	-	-	8,485
Public safety	-	-	-	13,600	206,068
Total fund balances	<u>19,649</u>	<u>129,223</u>	<u>46,485</u>	<u>14,280</u>	<u>879,552</u>
Total liabilities and fund balances	<u>\$ 19,703</u>	<u>\$ 129,223</u>	<u>\$ 57,389</u>	<u>\$ 14,960</u>	<u>\$ 954,559</u>

(concluded)

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2017

	Radio Tower Equipment Replacement	Forfeited Property	Hotel / Motel Occupancy Tax	TCEQ NPS Grant	Road Impact Fees #1	Road Impact Fees #2
REVENUES						
Sales and other taxes	\$ -	\$ -	\$ 87,766	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	-	-	-	22,083	6,041
Intergovernmental and grants	-	-	440	-	-	-
Investment	509	29	153	80	3,661	15
Total revenues	<u>509</u>	<u>29</u>	<u>88,359</u>	<u>80</u>	<u>25,744</u>	<u>6,056</u>
EXPENDITURES						
Current						
General government	-	-	35,482	-	35,151	-
Public safety	329	-	-	-	-	-
Culture and recreation	-	-	12,720	-	-	-
Total expenditures	<u>329</u>	<u>-</u>	<u>48,202</u>	<u>-</u>	<u>35,151</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	180	29	40,157	80	(9,407)	6,056
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(40,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	180	29	157	80	(9,407)	6,056
Fund balances - beginning	63,889	3,633	2,421	5,827	472,313	-
Fund balances - ending	<u>\$ 64,069</u>	<u>\$ 3,662</u>	<u>\$ 2,578</u>	<u>\$ 5,907</u>	<u>\$ 462,906</u>	<u>\$ 6,056</u>

<u>Municipal Court Technology</u>	<u>Radio System Maintenance</u>	<u>Municipal Court Security</u>	<u>Child Safety</u>	<u>Court Efficiency</u>	<u>Juvenile Case Manager</u>	<u>Truancy Court</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,338	129,975	4,756	2,360	442	7,615	231
-	-	-	-	-	-	-
<u>44</u>	<u>683</u>	<u>80</u>	<u>134</u>	<u>70</u>	<u>55</u>	<u>3</u>
<u>6,382</u>	<u>130,658</u>	<u>4,836</u>	<u>2,494</u>	<u>512</u>	<u>7,670</u>	<u>234</u>
-	-	-	-	-	-	-
13,449	205,128	6,195	-	-	-	-
-	-	-	-	-	-	-
<u>13,449</u>	<u>205,128</u>	<u>6,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,067)	(74,470)	(1,359)	2,494	512	7,670	234
-	92,398	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>92,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,067)	17,928	(1,359)	2,494	512	7,670	234
<u>14,598</u>	<u>49,246</u>	<u>12,078</u>	<u>16,141</u>	<u>8,768</u>	<u>3,344</u>	<u>150</u>
<u>\$ 7,531</u>	<u>\$ 67,174</u>	<u>\$ 10,719</u>	<u>\$ 18,635</u>	<u>\$ 9,280</u>	<u>\$ 11,014</u>	<u>\$ 384</u>

(continued)

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2017

	Cable Education	Transportation System Improvmts	Drainage System Improvmts	Law Enforcement Education - Police	Total
REVENUES					
Sales and other taxes	\$ 23,635	\$ -	\$ -	\$ -	\$ 111,401
Fines, fees, and forfeitures	-	288,151	187,978	-	655,970
Intergovernmental and grants	-	-	-	2,033	2,473
Investment	165	470	310	109	6,570
Total revenues	<u>23,800</u>	<u>288,621</u>	<u>188,288</u>	<u>2,142</u>	<u>776,414</u>
EXPENDITURES					
Current					
General government	41,693	925	6,548	-	119,799
Public safety	-	-	-	680	225,781
Culture and recreation	-	-	-	-	12,720
Total expenditures	<u>41,693</u>	<u>925</u>	<u>6,548</u>	<u>680</u>	<u>358,300</u>
Excess (deficiency) of revenues over expenditures	(17,893)	287,696	181,740	1,462	418,114
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	92,398
Transfers out	-	(260,000)	(151,290)	-	(451,290)
Total other financing sources (uses)	<u>-</u>	<u>(260,000)</u>	<u>(151,290)</u>	<u>-</u>	<u>(358,892)</u>
Net change in fund balances	(17,893)	27,696	30,450	1,462	59,222
Fund balances - beginning	<u>37,542</u>	<u>101,527</u>	<u>16,035</u>	<u>12,818</u>	<u>820,330</u>
Fund balances - ending	<u>\$ 19,649</u>	<u>\$ 129,223</u>	<u>\$ 46,485</u>	<u>\$ 14,280</u>	<u>\$ 879,552</u>

(concluded)

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
September 30, 2017

	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	2009 Certificates of Obligation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 21,620	\$ 16,355	\$ 354,406	\$ 392,381
Total assets	<u>\$ 21,620</u>	<u>\$ 16,355</u>	<u>\$ 354,406</u>	<u>\$ 392,381</u>
LIABILITIES				
Deposits	\$ 17,450	\$ 13,200	\$ -	\$ 30,650
Total liabilities	<u>17,450</u>	<u>13,200</u>	<u>-</u>	<u>30,650</u>
FUND BALANCES				
Restricted				
Various capital projects	4,170	3,155	354,406	361,731
Total fund balances	<u>4,170</u>	<u>3,155</u>	<u>354,406</u>	<u>361,731</u>
Total liabilities and fund balances	<u>\$ 21,620</u>	<u>\$ 16,355</u>	<u>\$ 354,406</u>	<u>\$ 392,381</u>

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECT FUNDS

September 30, 2017

	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	2009 Certificates of Obligation	Total
REVENUES				
Investment	\$ 172	\$ 130	\$ 2,823	\$ 3,125
Total revenues	<u>172</u>	<u>130</u>	<u>2,823</u>	<u>3,125</u>
EXPENDITURES				
Capital outlay	-	-	74,295	74,295
Total expenditures	<u>-</u>	<u>-</u>	<u>74,295</u>	<u>74,295</u>
Excess (deficiency) of revenues over expenditures	172	130	(71,472)	(71,170)
Fund balances - beginning	<u>3,998</u>	<u>3,025</u>	<u>425,878</u>	<u>432,901</u>
Fund balances - ending	<u>\$ 4,170</u>	<u>\$ 3,155</u>	<u>\$ 354,406</u>	<u>\$ 361,731</u>

CITY OF LOCKHART, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

NONMAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

	2017			2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 658,181	\$ 692,161	\$ 33,980	\$ 696,861
Investment income	-	5,115	5,115	2,727
Miscellaneous	-	72,970	72,970	350,515
Total revenues	<u>658,181</u>	<u>770,246</u>	<u>112,065</u>	<u>1,050,103</u>
EXPENDITURES				
Debt service				
Principal retirement	587,160	587,160	-	855,322
Interest and fiscal charges	500,948	500,948	-	566,342
Paying agent fees and issue costs	400	1,200	(800)	151,889
Total expenditures	<u>1,088,508</u>	<u>1,089,308</u>	<u>(800)</u>	<u>1,573,553</u>
Excess (deficiency) of revenues over expenditures	(430,327)	(319,062)	111,265	(523,450)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	4,887,402
Premium on issuance of bonds	-	-	-	593,157
Payment to escrow	-	-	-	(5,455,484)
Transfers in	374,686	326,594	(48,092)	413,545
Total other financing sources (uses)	<u>374,686</u>	<u>326,594</u>	<u>(48,092)</u>	<u>438,620</u>
Net change in fund balance	<u>\$ (55,641)</u>	7,532	<u>\$ 63,173</u>	(84,830)
Fund balance at beginning of year		<u>278,089</u>		<u>362,919</u>
Fund balance at end of year		<u>\$ 285,621</u>		<u>\$ 278,089</u>

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2017

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 468,277	\$ 93,905	\$ 562,182
Receivables (net)	<u>237,913</u>	<u>755</u>	<u>238,668</u>
Total current assets	<u>706,190</u>	<u>94,660</u>	<u>800,850</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	120,409	72,161	192,570
Buildings, improvements, and equipment (net)	<u>52,165</u>	<u>1,444,810</u>	<u>1,496,975</u>
Total noncurrent assets	<u>172,574</u>	<u>1,516,971</u>	<u>1,689,545</u>
Total assets	<u>878,764</u>	<u>1,611,631</u>	<u>2,490,395</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to TMRS	<u>41,957</u>	-	<u>41,957</u>
Total deferred outflows of resources	<u>41,957</u>	-	<u>41,957</u>
LIABILITIES			
Current liabilities			
Accounts payable	92,518	316	92,834
Payroll related payables	4,166	-	4,166
Customer deposits	50	6,950	7,000
Unearned revenue	-	3,908	3,908
Accrued compensated absences	<u>3,855</u>	-	<u>3,855</u>
Total current liabilities	<u>100,589</u>	<u>11,174</u>	<u>111,763</u>
Noncurrent liabilities			
Net pension liability	<u>105,470</u>	-	<u>105,470</u>
Total liabilities	<u>206,059</u>	<u>11,174</u>	<u>217,233</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS	<u>343</u>	-	<u>343</u>
Total deferred inflows of resources	<u>343</u>	-	<u>343</u>
NET POSITION			
Invested in capital assets, net of related debt	172,574	1,516,971	1,689,545
Unrestricted net position	<u>541,745</u>	<u>83,486</u>	<u>625,231</u>
Total net position	<u>\$ 714,319</u>	<u>\$ 1,600,457</u>	<u>\$ 2,314,776</u>

CITY OF LOCKHART, TEXAS*COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**NONMAJOR ENTERPRISE FUNDS**For the year ended September 30, 2017*

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,574,494	\$ 70,714	\$ 1,645,208
Miscellaneous	<u>18,865</u>	<u>775</u>	<u>19,640</u>
Total operating revenues	<u>1,593,359</u>	<u>71,489</u>	<u>1,664,848</u>
OPERATING EXPENSES			
Personnel services	215,073	-	215,073
Contracts and services	1,105,644	13,120	1,118,764
Materials and supplies	7,467	-	7,467
Maintenance and repairs	3,526	10,500	14,026
Depreciation	8,766	52,818	61,584
Miscellaneous	<u>4,990</u>	<u>-</u>	<u>4,990</u>
Total operating expenses	<u>1,345,466</u>	<u>76,438</u>	<u>1,421,904</u>
Operating income before nonoperating revenues (expenses) and transfers	247,893	(4,949)	242,944
NONOPERATING REVENUES (EXPENSES)			
Investment income	<u>3,449</u>	<u>593</u>	<u>4,042</u>
Net nonoperating revenues (expenses)	<u>3,449</u>	<u>593</u>	<u>4,042</u>
Income (loss) before transfers	251,342	(4,356)	246,986
Transfers out	<u>(192,552)</u>	<u>-</u>	<u>(192,552)</u>
Change in net position	58,790	(4,356)	54,434
Net position - beginning	<u>655,529</u>	<u>1,604,813</u>	<u>2,260,342</u>
Net position - ending	<u>\$ 714,319</u>	<u>\$ 1,600,457</u>	<u>\$ 2,314,776</u>

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the year ended September 30, 2017

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,574,883	\$ 72,380	\$ 1,647,263
Cash payments to suppliers for goods and services	(1,125,112)	(24,229)	(1,149,341)
Cash payments to employees for services	(192,038)	-	(192,038)
Net cash provided by operating activities	<u>257,733</u>	<u>48,151</u>	<u>305,884</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Customer deposits	-	75	75
Cash paid to other funds	(192,552)	-	(192,552)
Net cash provided (used) by noncapital financing activities	<u>(192,552)</u>	<u>75</u>	<u>(192,477)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Net cash used by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	3,449	593	4,042
Net cash provided (used) by investing activities	<u>3,449</u>	<u>593</u>	<u>4,042</u>
Net increase in cash and cash equivalents	68,630	48,819	117,449
Cash and cash equivalents at beginning of year	399,647	45,086	444,733
Cash and cash equivalents at end of year	<u>\$ 468,277</u>	<u>\$ 93,905</u>	<u>\$ 562,182</u>
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 247,893	\$ (4,949)	\$ 242,944
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,766	52,818	61,584
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(18,476)	396	(18,080)
Increase (decrease) in accounts and other payables	3,485	(609)	2,876
Increase (decrease) in payroll related liabilities	16,065	-	16,065
Increase (decrease) in unearned revenue	-	495	495
Net cash provided by operating activities	<u>\$ 257,733</u>	<u>\$ 48,151</u>	<u>\$ 305,884</u>

CITY OF LOCKHART, TEXAS
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 September 30, 2017

	Private Purpose Trusts		Total
	Glosserman Trust	Brock Cabin Trust	
ASSETS			
Cash and cash equivalents	\$ 513	\$ 1,199	\$ 1,712
Total assets	<u>513</u>	<u>1,199</u>	<u>1,712</u>
LIABILITIES			
Due to others	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held for various purposes	\$ 513	\$ 1,199	\$ 1,712

Agency Funds

<u>Confiscated Property</u>	<u>Unclaimed Property</u>	<u>Bicycle Helmet</u>	<u>Total</u>
<u>\$ 9,444</u>	<u>\$ 8,458</u>	<u>\$ 1,063</u>	<u>\$ 18,965</u>
<u>\$ 9,444</u>	<u>\$ 8,458</u>	<u>\$ 1,063</u>	<u>\$ 18,965</u>
<u>\$ 9,444</u>	<u>\$ 8,458</u>	<u>\$ 1,063</u>	<u>\$ 18,965</u>
<u>\$ 9,444</u>	<u>\$ 8,458</u>	<u>\$ 1,063</u>	<u>\$ 18,965</u>

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUSTS

For the year ended September 30, 2017

	Glosserman Trust	Brock Cabin Trust	Total
ADDITIONS			
Investment income	\$ 4	\$ 9	\$ 13
Total additions	<u>4</u>	<u>9</u>	<u>13</u>
DEDUCTIONS	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	4	9	13
Net position - beginning	<u>509</u>	<u>1,190</u>	<u>1,699</u>
Net position - ending	<u>\$ 513</u>	<u>\$ 1,199</u>	<u>\$ 1,712</u>

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**



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

The Honorable Mayor and Members
of the City Council
City of Lockhart, Texas

Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2018. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and Members
of the City Council

Compliance and Other Matters

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

Purpose of this Report

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



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 12, 2018