

CITY OF LOCKHART, TEXAS

ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2018

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FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255
FAX: (361) 573-9531

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, in 2018 the City adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 75 related to accounting for other post employment benefit plans. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios, schedules of changes in total OPEB liability and related ratios, and the schedules 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 13, 2019, 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, L.L.P.
Certified Public Accountants

March 13, 2019

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, 2018.

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, 2018, by \$44,167,778. Of this amount, \$10,614,676 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was \$28,803,324 for the fiscal year which is an increase of \$699,367 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$2,216,587. This represents a 5% increase in net position from the previous fiscal year as a result of operations.
- At September 30, 2018, the City's governmental funds reported combined ending fund balances of \$10,998,145, an increase of \$205,576 in comparison with the prior year.
- At September 30, 2018, unassigned fund balance for the General Fund was \$4,451,131 or 47% of total General Fund expenditures.

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 31

Notes to Financial Statements

Provides a summary of significant accounting policies and related disclosures.

Pages 32 to 70

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 2017-2018 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 Certificates of Obligation 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 EMS Fund. 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 30 through 31 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 \$44,167,778 at the close of the 2018 fiscal year.

By far, the largest portion of the City's net position, 70%, 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	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 12,185,125	\$ 11,892,770	\$ 20,613,045	\$ 20,238,321	\$ 32,798,170	\$ 32,131,091
Capital assets (net)	22,777,509	23,282,995	22,515,446	22,075,259	45,292,955	45,358,254
Total assets	34,962,634	35,175,765	43,128,491	42,313,580	78,091,125	77,489,345
Deferred outflow of resources	964,727	2,003,206	371,884	626,431	1,336,611	2,629,637
Current and other liabilities	1,447,457	1,491,546	2,224,344	2,939,323	3,671,801	4,430,869
Noncurrent liabilities	16,841,818	20,528,694	13,948,453	14,645,286	30,790,271	35,173,980
Total liabilities	18,289,275	22,020,240	16,172,797	17,584,609	34,462,072	39,604,849
Deferred inflow of resources	644,443	42,290	153,443	12,198	797,886	54,488
Net position:						
Net investment in capital assets	13,774,228	14,162,688	16,961,238	16,507,663	30,735,466	30,670,351
Restricted	1,396,101	1,141,195	1,421,535	1,163,687	2,817,636	2,304,882
Unrestricted	1,823,314	1,304,104	8,791,362	7,671,854	10,614,676	8,975,958
Total net position	\$ 16,993,643	\$ 16,607,987	\$ 27,174,135	\$ 25,343,204	\$ 44,167,778	\$ 41,951,191

*2017 net position has been restated. See Note 19 of this report.

An additional portion of the City's net position, 6%, 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, \$10,614,676, 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 increased the City's net position by \$385,656. Key elements of this increase are as follows:

- Increase in charges for services of \$592,691.
- Increase in property taxes of \$415,501.

Business-type activities. Business-type activities increased the City's net position by \$1,830,931 accounting for 83% of the total growth in the City's net position. Key elements of this increase are as follows:

- Charges for services were \$803,317 higher due to increase in demand.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Lockhart, Texas

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
REVENUES						
Program revenues:						
Charges for services	\$ 1,690,569	\$ 1,097,878	\$ 21,133,352	\$ 20,330,035	\$ 22,823,921	\$ 21,427,913
Operating grants and contributions	566,039	202,393	24,925	7,016	590,964	209,409
Capital grants and contributions	278,000	-	-	195,261	278,000	195,261
General revenues:						
Property taxes	4,325,200	3,909,699	-	-	4,325,200	3,909,699
Sales taxes	1,650,931	1,549,695	-	-	1,650,931	1,549,695
Franchise taxes	357,278	312,433	-	-	357,278	312,433
Other taxes	106,756	96,529	-	-	106,756	96,529
Impact fees	-	-	244,561	83,585	244,561	83,585
Investment earnings	190,320	99,353	236,101	118,159	426,421	217,512
Miscellaneous	192,281	289,291	23,598	-	215,879	289,291
Total revenues	9,357,374	7,557,271	21,662,537	20,734,056	31,019,911	28,291,327
EXPENSES						
General government	2,045,364	2,083,166	-	-	2,045,364	2,083,166
Public safety	5,401,024	5,086,371	-	-	5,401,024	5,086,371
Public works	3,084,192	2,644,292	-	-	3,084,192	2,644,292
Health	16,326	22,137	-	-	16,326	22,137
Culture and recreation	1,077,697	1,006,038	-	-	1,077,697	1,006,038
Interest on long-term debt	441,769	459,629	-	-	441,769	459,629
Electric	-	-	9,132,038	8,722,211	9,132,038	8,722,211
Water	-	-	3,428,101	3,545,084	3,428,101	3,545,084
Wastewater	-	-	1,281,066	1,824,111	1,281,066	1,824,111
EMS	-	-	1,334,506	1,289,014	1,334,506	1,289,014
Sanitation	-	-	1,461,111	1,345,466	1,461,111	1,345,466
Airport	-	-	100,130	76,438	100,130	76,438
Total expenses	12,066,372	11,301,633	16,736,952	16,802,324	28,803,324	28,103,957
Change in net position before transfers	(2,708,998)	(3,744,362)	4,925,585	3,931,732	2,216,587	187,370
Transfers	3,094,654	2,896,410	(3,094,654)	(2,896,410)	-	-
Change in net position	385,656	(847,952)	1,830,931	1,035,322	2,216,587	187,370
Net position - beginning	16,607,987	17,455,939	25,343,204	24,307,882	41,951,191	41,763,821
Net position - ending	<u>\$ 16,993,643</u>	<u>\$ 16,607,987</u>	<u>\$ 27,174,135</u>	<u>\$ 25,343,204</u>	<u>\$ 44,167,778</u>	<u>\$ 41,951,191</u>

*2017 net position has been restated. See Note 19 of this report.

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 \$10,998,145, an increase of \$205,576 from the prior year.

Approximately 40% of this total amount, \$4,451,131, constitutes unassigned fund balance, which is available for spending at the government's discretion. The City also has \$553,877 of fund balance that is committed for specific projects. In addition, there is \$5,940,939 of fund balance that is restricted for specific purposes and \$52,198 that is classified as nonspendable; being that it is not available for new spending because it has already been committed: 1) for prepaid expenditures \$40,635; and 2) for inventory \$11,563.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$4,451,131. Unassigned fund balance represents 47% of total General Fund expenditures. The fund balance of the City's General Fund increased by \$587,246 during the current fiscal year.

The primary reason for the increase in the governmental fund balance was due to the increase in the General Fund fund balance in the amount of \$587,246. This increase was mainly due to an increase in transfers from other funds during fiscal year 2018 of \$311,954 in comparison with the prior year.

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 \$8,791,362. The total growth for the funds was \$1,830,931 as a result of an increase in charges for services and impact fees from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual fiscal year revenues in the General Fund were \$713,970 more than the final budgeted amounts. The positive variance over the anticipated amount is comprised of the following items:

- \$117,082 in property tax revenues.
- \$142,797 increase in sales and other tax revenues.
- \$111,448 and \$114,912 in intergovernmental and miscellaneous revenues.

Actual fiscal year expenditures in the General Fund were \$636,273 less than the final budgeted amounts. The positive variance over the anticipated amount is comprised of the following items:

- \$536,918 in general government.
- \$247,793 in capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$45,292,955 (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 decrease in the City's investment in capital assets was \$65,299 or 0.1%.

City of Lockhart, Texas

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,587,394	\$ 1,488,954	\$ 574,710	\$ 574,710	\$ 2,162,104	\$ 2,063,664
Construction in progress	97,176	608,655	827,195	681,574	924,371	1,290,229
Bldgs. and improvements	7,581,373	7,667,359	1,421,243	1,462,927	9,002,616	9,130,286
Infrastructure	12,195,622	12,384,114	18,611,999	18,631,350	30,807,621	31,015,464
Machinery and equipment	1,315,944	1,133,913	1,080,299	724,698	2,396,243	1,858,611
Total	<u>\$ 22,777,509</u>	<u>\$ 23,282,995</u>	<u>\$ 22,515,446</u>	<u>\$ 22,075,259</u>	<u>\$ 45,292,955</u>	<u>\$ 45,358,254</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 \$24,478,829. Of this amount, \$6,530,000 represents General Obligation Tax and Revenue Bonds. The remainder of the City's bonded debt is comprised of \$16,800,000 of Combination Tax and Revenue Certificates of Obligation and unamortized premiums of \$1,148,829. The City's bonded debt had a net decrease of \$1,058,772 during the fiscal year ended September 30, 2018. Additional information on the long-term debt can be found in Note 10.

The City maintains a bond rating of "AA-" 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 higher levels and should result in interest earnings consistent with the 2018 fiscal year.
- 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 2018-2019 fiscal year.

The certified assessed taxable property valuations for the 2018 tax roll total \$666,616,058 with a tax rate of \$0.7107 per \$100 valuation. \$0.6031 was allocated for maintenance and operations, and \$0.1076 was allocated for interest and sinking (debt service). The projected total property tax due is \$4,608,371 for the 2018 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lockhart Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,914,124	\$ 15,143,451	\$ 26,057,575	\$ 2,864,783
Receivables (net)	915,591	4,972,429	5,888,020	147,819
Due from other governments	295,638	-	295,638	-
Prepaid expenses	48,209	15,130	63,339	-
Inventory	11,563	482,035	493,598	325,000
Total current assets	<u>12,185,125</u>	<u>20,613,045</u>	<u>32,798,170</u>	<u>3,337,602</u>
Noncurrent assets (net)				
Capital assets	<u>22,777,509</u>	<u>22,515,446</u>	<u>45,292,955</u>	<u>634,320</u>
Total noncurrent assets	<u>22,777,509</u>	<u>22,515,446</u>	<u>45,292,955</u>	<u>634,320</u>
Total assets	<u>34,962,634</u>	<u>43,128,491</u>	<u>78,091,125</u>	<u>3,971,922</u>
DEFERRED OUTFLOWS				
Deferred amount on refunding	257,861	180,927	438,788	-
Deferred outflow related to pension	676,631	183,864	860,495	-
Deferred outflow related to OPEB	<u>30,235</u>	<u>7,093</u>	<u>37,328</u>	-
Total deferred outflow of resources	<u>964,727</u>	<u>371,884</u>	<u>1,336,611</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	\$ 301,120	\$ 1,052,938	\$ 1,354,058	\$ 25,169
Payroll related payables	178,452	54,144	232,596	6,689
Other payables	6,651	-	6,651	-
Accrued interest payable	74,415	79,771	154,186	-
Due to other governments	40,092	87,641	127,733	-
Deposits	45,650	387,608	433,258	-
Unearned revenue	-	2,758	2,758	-
Accrued compensated absences	110,277	58,443	168,720	1,026
Current portion of long-term liabilities	690,800	501,041	1,191,841	19,040
Total current liabilities	<u>1,447,457</u>	<u>2,224,344</u>	<u>3,671,801</u>	<u>51,924</u>
Noncurrent liabilities				
Accrued compensated absences	330,829	-	330,829	-
Noncurrent portion of long-term liabilities	13,101,799	13,148,766	26,250,565	165,129
Net pension liability	2,767,021	649,055	3,416,076	-
OPEB liability	642,169	150,632	792,801	-
Total noncurrent liabilities	<u>16,841,818</u>	<u>13,948,453</u>	<u>30,790,271</u>	<u>165,129</u>
Total liabilities	<u>18,289,275</u>	<u>16,172,797</u>	<u>34,462,072</u>	<u>217,053</u>
DEFERRED INFLOWS				
Deferred inflow related to pension	644,443	153,443	797,886	-
Total deferred inflows	<u>644,443</u>	<u>153,443</u>	<u>797,886</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	13,774,228	16,961,238	30,735,466	450,151
Restricted				
Debt service	224,528	225,926	450,454	-
Other purposes	1,171,573	1,195,609	2,367,182	-
Unrestricted	<u>1,823,314</u>	<u>8,791,362</u>	<u>10,614,676</u>	<u>3,304,718</u>
Total net position	<u>\$ 16,993,643</u>	<u>\$ 27,174,135</u>	<u>\$ 44,167,778</u>	<u>\$ 3,754,869</u>

CITY OF LOCKHART, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 2,045,364	\$ 223,254	\$ 66,976	\$ -
Public safety	5,401,024	1,005,749	483,068	-
Public works	3,084,192	423,575	-	-
Health	16,326	-	-	-
Culture and recreation	1,077,697	37,991	15,995	278,000
Interest on long-term debt	441,769	-	-	-
Total governmental activities	<u>12,066,372</u>	<u>1,690,569</u>	<u>566,039</u>	<u>278,000</u>
Business-type activities				
Electric	9,132,038	12,238,369	-	-
Water	3,428,101	3,336,689	-	-
Wastewater	1,281,066	2,339,875	-	-
EMS	1,334,506	1,438,174	4,385	-
Other	1,561,241	1,780,245	20,540	-
Total business-type activities	<u>16,736,952</u>	<u>21,133,352</u>	<u>24,925</u>	<u>-</u>
Total primary government	<u>\$ 28,803,324</u>	<u>\$ 22,823,921</u>	<u>\$ 590,964</u>	<u>\$ 278,000</u>
Component Unit				
Lockhart Economic Development Corporation	<u>\$ 724,030</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

Unrestricted 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
\$ (1,755,134)	\$ -	\$ (1,755,134)	\$ -
(3,912,207)	-	(3,912,207)	-
(2,660,617)	-	(2,660,617)	-
(16,326)	-	(16,326)	-
(745,711)	-	(745,711)	-
(441,769)	-	(441,769)	-
<u>(9,531,764)</u>	<u>-</u>	<u>(9,531,764)</u>	<u>-</u>
-	3,106,331	3,106,331	-
-	(91,412)	(91,412)	-
-	1,058,809	1,058,809	-
-	108,053	108,053	-
-	239,544	239,544	-
<u>-</u>	<u>4,421,325</u>	<u>4,421,325</u>	<u>-</u>
<u>(9,531,764)</u>	<u>4,421,325</u>	<u>(5,110,439)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(650,905)</u>
3,620,758	-	3,620,758	-
704,442	-	704,442	-
1,650,931	-	1,650,931	825,465
357,278	-	357,278	-
106,756	-	106,756	-
-	244,561	244,561	-
190,320	236,101	426,421	44,442
192,281	23,598	215,879	242
3,094,654	(3,094,654)	-	-
<u>9,917,420</u>	<u>(2,590,394)</u>	<u>7,327,026</u>	<u>870,149</u>
385,656	1,830,931	2,216,587	219,244
<u>16,607,987</u>	<u>25,343,204</u>	<u>41,951,191</u>	<u>3,535,625</u>
<u>\$ 16,993,643</u>	<u>\$ 27,174,135</u>	<u>\$ 44,167,778</u>	<u>\$ 3,754,869</u>

CITY OF LOCKHART, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2018

	<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	\$ 5,015,612	\$ 4,239,670	\$ 1,658,842	\$ 10,914,124
Receivables (net)	720,571	-	195,020	915,591
Due from other funds	25,974	-	-	25,974
Due from other governments	295,638	-	-	295,638
Prepaid expenditures	37,870	-	10,339	48,209
Inventory	11,563	-	-	11,563
Total assets	<u>\$ 6,107,228</u>	<u>\$ 4,239,670</u>	<u>\$ 1,864,201</u>	<u>\$ 12,211,099</u>
LIABILITIES				
Accounts payable	\$ 287,031	\$ -	\$ 14,089	\$ 301,120
Payroll related payables	178,452	-	-	178,452
Other payables	6,651	-	-	6,651
Due to other funds	-	-	25,974	25,974
Due to other governments	40,092	-	-	40,092
Deposits	-	-	45,650	45,650
Total liabilities	<u>512,226</u>	<u>-</u>	<u>85,713</u>	<u>597,939</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	540,561	-	74,454	615,015
Total deferred inflows of resources	<u>540,561</u>	<u>-</u>	<u>74,454</u>	<u>615,015</u>
FUND BALANCES				
Nonspendable				
Prepaid expenditures	37,870	-	2,765	40,635
Inventory	11,563	-	-	11,563
Restricted				
General government	-	-	35,067	35,067
Tourism	-	-	2,721	2,721
Public safety	-	-	227,044	227,044
Public works	-	-	903,976	903,976
Debt service	-	-	240,674	240,674
Various capital projects	-	4,239,670	291,787	4,531,457
Committed				
Sidewalks	17,596	-	-	17,596
Revolving loan	263,827	-	-	263,827
Industrial park	272,454	-	-	272,454
Unassigned	4,451,131	-	-	4,451,131
Total fund balances	<u>5,054,441</u>	<u>4,239,670</u>	<u>1,704,034</u>	<u>10,998,145</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,107,228</u>	<u>\$ 4,239,670</u>	<u>\$ 1,864,201</u>	<u>\$ 12,211,099</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, 2018

Total governmental fund balances		\$ 10,998,145
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
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	\$ 96,743,677	
Accumulated depreciation of governmental capital assets	<u>(73,966,168)</u>	22,777,509
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	344,957	
Other charges for services	<u>270,058</u>	615,015
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	257,861	
Deferred amount on pension	676,631	
Deferred amount on OPEB	<u>30,235</u>	964,727
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	(13,079,817)	
Bond premium	(712,782)	
Net pension liability	(2,767,021)	
OPEB liability	(642,169)	
Accrued interest payable	(74,415)	
Compensated absences	<u>(441,106)</u>	(17,717,310)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension		<u>(644,443)</u>
Net position of governmental activities		\$ <u>16,993,643</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, 2018

	General	2015 Certificates of Obligation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,642,474	\$ -	\$ 710,351	\$ 4,352,825
Sales and other taxes	2,013,845	-	101,120	2,114,965
Fines, fees and forfeitures	364,423	-	863,134	1,227,557
Licenses and permits	192,622	-	-	192,622
Intergovernmental and grants	323,298	-	135,326	458,624
Investment	89,701	68,082	32,537	190,320
Miscellaneous	263,684	-	59,612	323,296
Total revenues	<u>6,890,047</u>	<u>68,082</u>	<u>1,902,080</u>	<u>8,860,209</u>
EXPENDITURES				
Current				
General government	1,891,347	-	42,340	1,933,687
Public safety	4,978,250	-	234,269	5,212,519
Public works	1,593,994	-	133,411	1,727,405
Health and welfare	11,396	-	-	11,396
Culture and recreation	938,896	-	10,835	949,731
Capital outlay	126,365	626,882	75,625	828,872
Debt service				
Principal retirement	-	-	601,470	601,470
Interest and fiscal charges	-	-	483,207	483,207
Paying agent and issue costs	-	-	1,000	1,000
Total expenditures	<u>9,540,248</u>	<u>626,882</u>	<u>1,582,157</u>	<u>11,749,287</u>
Excess (deficiency) of revenues over expenditures	(2,650,201)	(558,800)	319,923	(2,889,078)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,333,060	-	355,540	3,688,600
Transfers out	(95,613)	-	(498,333)	(593,946)
Total other financing sources	<u>3,237,447</u>	<u>-</u>	<u>(142,793)</u>	<u>3,094,654</u>
Net change in fund balances	587,246	(558,800)	177,130	205,576
Fund balances - beginning, as restated	<u>4,467,195</u>	<u>4,798,470</u>	<u>1,526,904</u>	<u>10,792,569</u>
Fund balances - ending	<u>\$ 5,054,441</u>	<u>\$ 4,239,670</u>	<u>\$ 1,704,034</u>	<u>\$ 10,998,145</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, 2018*

Total net change in fund balances - governmental funds		\$ 205,576
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 1,343,939	
Depreciation expense	<u>(2,127,425)</u>	(783,486)
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		
		278,000
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		601,470
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	(49,026)	
Other revenues	<u>268,190</u>	219,164
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:		
Increase in compensated absences	(13,350)	
Decrease in bond premium	61,511	
Decrease in loss on bond refunding	(23,443)	
Decrease in accrued interest	4,370	
Net pension costs	(134,268)	
Net OPEB costs	<u>(29,888)</u>	<u>(135,068)</u>
Change in net position of governmental activities		\$ <u>385,656</u>

The accompanying notes are an integral part of this statement.

CITY OF LOCKHART, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities		
	Electric	Water	Wastewater
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,319,715	\$ 9,318,180	\$ 2,335,895
Receivables (net)			
Customer accounts	2,066,764	535,443	343,442
Other	-	-	229,279
Prepaid expenses	14,981	-	149
Inventory	482,035	-	-
Total current assets	<u>4,883,495</u>	<u>9,853,623</u>	<u>2,908,765</u>
Noncurrent assets			
Capital assets (net)			
Land and other assets not being depreciated	448,247	620,260	140,828
Buildings, improvements, and equipment (net)	<u>2,828,650</u>	<u>10,041,922</u>	<u>6,380,052</u>
Total noncurrent assets	<u>3,276,897</u>	<u>10,662,182</u>	<u>6,520,880</u>
Total assets	<u>8,160,392</u>	<u>20,515,805</u>	<u>9,429,645</u>
DEFERRED OUTFLOWS			
Deferred amount on refunding	-	156,846	24,081
Deferred outflow related to pension	113,740	15,564	38,199
Deferred outflow related to OPEB	4,106	1,493	747
Total deferred outflow of resources	<u>117,846</u>	<u>173,903</u>	<u>63,027</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>
\$ 571,668	\$ 597,993	\$ 15,143,451
1,538,111	259,390	4,743,150
-	-	229,279
-	-	15,130
-	-	482,035
<u>2,109,779</u>	<u>857,383</u>	<u>20,613,045</u>
-	192,570	1,401,905
<u>405,376</u>	<u>1,457,541</u>	<u>21,113,541</u>
<u>405,376</u>	<u>1,650,111</u>	<u>22,515,446</u>
<u>2,515,155</u>	<u>2,507,494</u>	<u>43,128,491</u>
-	-	180,927
-	16,361	183,864
-	747	7,093
<u>-</u>	<u>17,108</u>	<u>371,884</u>

(continued)

CITY OF LOCKHART, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities		
	Electric	Water	Wastewater
LIABILITIES			
Current liabilities			
Accounts payable	\$ 571,698	\$ 208,169	\$ 64,401
Payroll related payables	32,023	10,194	6,707
Accrued interest payable	6,939	60,276	12,556
Due to other governments	87,641	-	-
Customer deposits	266,513	114,070	-
Unearned revenue	-	-	-
Accrued compensated absences	41,225	6,207	5,865
Current portion of long-term obligations			
Capital leases	-	-	-
Bonds, certificates and notes	49,128	353,152	81,369
Total current liabilities	<u>1,055,167</u>	<u>752,068</u>	<u>170,898</u>
Noncurrent liabilities			
Net pension liability	375,768	136,643	68,322
OPEB liability	87,208	31,712	15,856
Noncurrent portion of long-term obligations	<u>831,822</u>	<u>10,412,727</u>	<u>1,817,259</u>
Total noncurrent liabilities	<u>1,294,798</u>	<u>10,581,082</u>	<u>1,901,437</u>
Total liabilities	<u>2,349,965</u>	<u>11,333,150</u>	<u>2,072,335</u>
DEFERRED INFLOWS			
Deferred inflow related to pension	<u>88,484</u>	<u>31,401</u>	<u>18,347</u>
Total deferred inflows	<u>88,484</u>	<u>31,401</u>	<u>18,347</u>
NET POSITION			
Net investment in capital assets	2,395,947	7,759,174	4,854,980
Restricted	167,997	730,406	523,132
Unrestricted	<u>3,275,845</u>	<u>835,577</u>	<u>2,023,878</u>
Total net position	<u>\$ 5,839,789</u>	<u>\$ 9,325,157</u>	<u>\$ 7,401,990</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>
\$ 111,300	\$ 97,370	\$ 1,052,938
-	5,220	54,144
-	-	79,771
-	-	87,641
-	7,025	387,608
-	2,758	2,758
-	5,146	58,443
17,392	-	17,392
-	-	483,649
<u>128,692</u>	<u>117,519</u>	<u>2,224,344</u>
-	68,322	649,055
-	15,856	150,632
<u>86,958</u>	-	<u>13,148,766</u>
<u>86,958</u>	<u>84,178</u>	<u>13,948,453</u>
<u>215,650</u>	<u>201,697</u>	<u>16,172,797</u>
-	15,211	153,443
-	15,211	153,443
301,026	1,650,111	16,961,238
-	-	1,421,535
<u>1,998,479</u>	<u>657,583</u>	<u>8,791,362</u>
<u>\$ 2,299,505</u>	<u>\$ 2,307,694</u>	<u>\$ 27,174,135</u>

(concluded)

CITY OF LOCKHART, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS**

For the year ended September 30, 2018

	Business-type Activities		
	Electric	Water	Wastewater
OPERATING REVENUES			
Charges for services	\$ 12,158,889	\$ 3,226,960	\$ 2,339,875
Miscellaneous	79,480	109,729	-
Total operating revenues	<u>12,238,369</u>	<u>3,336,689</u>	<u>2,339,875</u>
OPERATING EXPENSES			
Personnel services	1,090,324	357,625	278,526
Contracts and services	187,182	26,789	29,362
Materials and supplies	54,625	33,959	16,071
Maintenance and repairs	182,359	236,678	187,080
Power, water, and water treatment	7,206,538	1,909,180	478,675
Depreciation	316,610	514,924	235,057
Miscellaneous	71,556	5,937	898
Total operating expenses	<u>9,109,194</u>	<u>3,085,092</u>	<u>1,225,669</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	3,129,175	251,597	1,114,206
NONOPERATING REVENUES (EXPENSES)			
Investment income	36,660	151,465	32,981
Impact fees	-	134,272	110,289
Gain (loss) on disposition of capital assets	19,285	436	367
Noncapital grants and contributions	-	-	-
Interest expense	(22,844)	(343,009)	(55,397)
Net nonoperating revenues (expenses)	<u>33,101</u>	<u>(56,836)</u>	<u>88,240</u>
Income before transfers	3,162,276	194,761	1,202,446
Transfers			
Transfers out	(2,194,242)	(58,448)	(589,373)
Total transfers	<u>(2,194,242)</u>	<u>(58,448)</u>	<u>(589,373)</u>
Change in net position	968,034	136,313	613,073
Net position - beginning, as restated	<u>4,871,755</u>	<u>9,188,844</u>	<u>6,788,917</u>
Net position - ending	<u>\$ 5,839,789</u>	<u>\$ 9,325,157</u>	<u>\$ 7,401,990</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>
\$ 1,327,600	\$ 1,760,302	\$ 20,813,626
110,574	19,943	319,726
<u>1,438,174</u>	<u>1,780,245</u>	<u>21,133,352</u>
-	230,755	1,957,230
1,205,276	1,227,126	2,675,735
181	8,332	113,168
13,050	31,733	650,900
-	-	9,594,393
115,999	62,004	1,244,594
-	1,291	79,682
<u>1,334,506</u>	<u>1,561,241</u>	<u>16,315,702</u>
103,668	219,004	4,817,650
5,848	9,147	236,101
-	-	244,561
-	3,510	23,598
4,385	20,540	24,925
-	-	(421,250)
<u>10,233</u>	<u>33,197</u>	<u>107,935</u>
113,901	252,201	4,925,585
-	(252,591)	(3,094,654)
-	(252,591)	(3,094,654)
113,901	(390)	1,830,931
<u>2,185,604</u>	<u>2,308,084</u>	<u>25,343,204</u>
<u>\$ 2,299,505</u>	<u>\$ 2,307,694</u>	<u>\$ 27,174,135</u>

CITY OF LOCKHART, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended September 30, 2018

	Business-type Activities		
	Electric	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 12,103,809	\$ 3,278,712	\$ 2,331,976
Cash payments to suppliers for goods and services	(7,997,083)	(2,232,430)	(1,007,094)
Cash payments to employees for services	(1,006,765)	(336,124)	(253,048)
Net cash provided by operating activities	<u>3,099,961</u>	<u>710,158</u>	<u>1,071,834</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	15,488	20,525	-
Noncapital grants and contributions	-	-	-
Impact fees received	-	134,272	110,589
Transfers out to other funds	(2,194,242)	(58,448)	(589,373)
Net cash used by noncapital financing activities	<u>(2,178,754)</u>	<u>96,349</u>	<u>(478,784)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(668,058)	(611,582)	(274,937)
Proceeds from sale of capital assets	19,285	436	367
Contractual settlement received	-	253,469	-
Principal paid on capital debt	(177,693)	(475,367)	(85,968)
Interest paid on capital debt	(25,692)	(362,273)	(57,302)
Net cash used by capital financing activities	<u>(852,158)</u>	<u>(1,195,317)</u>	<u>(417,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>36,660</u>	<u>151,465</u>	<u>32,981</u>
Net cash provided (used) by investing activities	<u>36,660</u>	<u>151,465</u>	<u>32,981</u>
Net increase (decrease) in cash and cash equivalents	105,709	(237,345)	208,191
Cash and cash equivalents at beginning of year	<u>2,214,006</u>	<u>9,555,525</u>	<u>2,127,704</u>
Cash and cash equivalents at end of year	<u>\$ 2,319,715</u>	<u>\$ 9,318,180</u>	<u>\$ 2,335,895</u>

The accompanying notes are an integral part of this statement.

Business-type Activities		
EMS	Other Funds	Total
\$ 1,327,848	\$ 1,758,373	\$ 20,800,718
(1,205,823)	(1,263,946)	(13,706,376)
-	(216,677)	(1,812,614)
<u>122,025</u>	<u>277,750</u>	<u>5,281,728</u>
-	25	36,038
4,385	20,540	24,925
-	-	244,861
-	(252,591)	(3,094,654)
<u>4,385</u>	<u>(232,026)</u>	<u>(2,788,830)</u>
-	(22,570)	(1,577,147)
-	3,510	23,598
-	-	253,469
(17,392)	-	(756,420)
-	-	(445,267)
<u>(17,392)</u>	<u>(19,060)</u>	<u>(2,501,767)</u>
<u>5,848</u>	<u>9,147</u>	<u>236,101</u>
<u>5,848</u>	<u>9,147</u>	<u>236,101</u>
114,866	35,811	227,232
<u>456,802</u>	<u>562,182</u>	<u>14,916,219</u>
<u>\$ 571,668</u>	<u>\$ 597,993</u>	<u>\$ 15,143,451</u>

(continued)

CITY OF LOCKHART, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended September 30, 2018

	Business-type Activities		
	Electric	Water	Wastewater
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 3,129,175	\$ 251,597	\$ 1,114,206
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	316,610	514,924	235,057
Change in assets and liabilities:			
(Increase) decrease in receivables	(134,560)	(57,977)	8,646
(Increase) decrease in prepaid expenses	(14,981)	-	(149)
(Increase) decrease in inventory	(70,892)	-	-
(Increase) decrease in deferred outflow related to pension	140,779	51,193	25,596
(Increase) decrease in deferred outflow related to OPEB	(2,935)	(1,067)	(534)
Increase (decrease) in accounts payable	(203,572)	(19,887)	(311,404)
Increase (decrease) in payroll related payables	10,204	3,239	1,401
Increase (decrease) in due to other governments	(5,378)	-	-
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in accrued compensated absences	8,827	(5,203)	(1,466)
Increase (decrease) in net pension liability	(204,320)	(74,298)	(37,148)
Increase (decrease) in OPEB liability	49,230	17,902	22,761
Increase (decrease) in deferred inflow related to pension	81,774	29,735	14,868
Net cash provided by operating activities	\$ 3,099,961	\$ 710,158	\$ 1,071,834

The accompanying notes are an integral part of this statement.

Business-type Activities		
<u>EMS</u>	<u>Other Funds</u>	<u>Total</u>
\$ 103,668	\$ 219,004	\$ 4,817,650
115,999	62,004	1,244,594
(110,326)	(20,722)	(314,939)
-	-	(15,130)
-	-	(70,892)
-	25,596	243,164
-	(534)	(5,070)
12,684	4,536	(517,643)
-	1,054	15,898
-	-	(5,378)
-	(1,150)	(1,150)
-	1,291	3,449
-	(37,148)	(352,914)
-	8,951	98,844
-	14,868	141,245
<u>\$ 122,025</u>	<u>\$ 277,750</u>	<u>\$ 5,281,728</u>

(concluded)

CITY OF LOCKHART, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

September 30, 2018

	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 1,739	\$ 20,304
Total assets	<u>1,739</u>	<u>\$ 20,304</u>
LIABILITIES		
Due to others	<u>-</u>	<u>\$ 20,304</u>
Total liabilities	<u>-</u>	<u>\$ 20,304</u>
NET POSITION		
Held for various purposes	<u>\$ 1,739</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, 2018

	<u>Private Purpose Trust</u>
ADDITIONS	
Investment income	\$ 27
Total additions	27
DEDUCTIONS	<u>-</u>
Change in net position	27
Net position - beginning	<u>1,712</u>
Net position - ending	<u>\$ 1,739</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

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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, 2018.

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 2015. 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, 2018, 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, 2018.

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 three 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 second 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. The third item is the deferred amount calculated in the actuarial OPEB study required by GASB Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB)" (GASB No. 75) and the current year OPEB 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

Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the General Fund and at the fund level in the Debt Service Fund. There were several situations of expenditures (General Fund at the function level) exceeding the amount appropriated during the fiscal year 2017-2018.

<u>Fund/Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Public Safety	\$ 4,908,827	\$ 4,978,250	\$ (69,423)
Public Works	1,491,447	1,593,994	(102,547)
Health and welfare	10,682	11,396	(714)
Debt Service Fund	1,085,477	1,085,677	(200)

These over expenditures were funded by available fund balances in the respective funds.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2018, 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	\$ 8,443,437	28
MBIA Texas CLASS	11,001,064	52
TexStar	<u>8,170,873</u>	30
Total	<u>\$ 27,615,374</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.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2018.

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, 2018, 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	\$ 341,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,382	\$ 410,731
Franchise taxes	66,902	-	-	-	-	-	6,238	73,140
Municipal crt fines	1,450,367	-	-	-	-	-	95,198	1,545,565
Accounts	-	2,117,820	557,938	356,417	3,756,024	269,338	-	7,057,537
Occupancy taxes	-	-	-	-	-	-	20,038	20,038
Other	263,389	-	-	229,279	-	-	98,247	590,915
Gross receivables	2,122,007	2,117,820	557,938	585,696	3,756,024	269,338	289,103	9,697,926
Less: Allowance for uncollectibles	(1,401,436)	(51,056)	(22,495)	(12,975)	(2,217,913)	(9,948)	(94,083)	(3,809,906)
Net total receivables	<u>\$ 720,571</u>	<u>\$ 2,066,764</u>	<u>\$ 535,443</u>	<u>\$ 572,721</u>	<u>\$ 1,538,111</u>	<u>\$ 259,390</u>	<u>\$ 195,020</u>	<u>\$ 5,888,020</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, 2018, was \$0.7260 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	\$ 286,688	\$ -	\$ 286,688
Charges for services	253,873	-	253,873
Nonmajor Funds			
Ad valorem taxes	58,269	-	58,269
Charges for services	<u>16,185</u>	-	<u>16,185</u>
	<u>\$ 615,015</u>	<u>\$ -</u>	<u>\$ 615,015</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, 2018:

	<u>General</u>
Sales taxes	\$ 295,638
	<u>\$ 295,638</u>

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,488,954	\$ 98,440	\$ -	\$ 1,587,394
Construction in progress	608,655	896,683	1,408,162	97,176
Total capital assets not being depreciated	<u>2,097,609</u>	<u>995,123</u>	<u>1,408,162</u>	<u>1,684,570</u>
Capital assets, being depreciated				
Machinery and equipment	6,344,338	447,256	307,885	6,483,709
Buildings	11,788,939	179,560	-	11,968,499
Infrastructure	75,198,737	1,408,162	-	76,606,899
Total capital assets being depreciated	<u>93,332,014</u>	<u>2,034,978</u>	<u>307,885</u>	<u>95,059,107</u>
Less accumulated depreciation for				
Machinery and equipment	5,210,425	265,225	307,885	5,167,765
Buildings	4,121,580	265,546	-	4,387,126
Infrastructure	62,814,623	1,596,654	-	64,411,277
Total accumulated depreciation	<u>72,146,628</u>	<u>2,127,425</u>	<u>307,885</u>	<u>73,966,168</u>
Total capital assets being depreciated, net	<u>21,185,386</u>	<u>(92,447)</u>	<u>-</u>	<u>21,092,939</u>
Governmental activities capital assets, net	<u>\$ 23,282,995</u>	<u>\$ 902,676</u>	<u>\$ 1,408,162</u>	<u>\$ 22,777,509</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 574,710	\$ -	\$ -	\$ 574,710
Construction in progress	681,574	524,526	378,905	827,195
Total capital assets not being depreciated	<u>1,256,284</u>	<u>524,526</u>	<u>378,905</u>	<u>1,401,905</u>
Capital assets, being depreciated				
Machinery and equipment	6,141,196	662,343	197,904	6,605,635
Buildings and improvements	4,500,538	-	-	4,500,538
Infrastructure	37,799,767	876,817	-	38,676,584
Total capital assets being depreciated	<u>48,441,501</u>	<u>1,539,160</u>	<u>197,904</u>	<u>49,782,757</u>
Less accumulated depreciation for				
Machinery and equipment	5,416,498	306,742	197,904	5,525,336
Buildings and improvements	3,037,611	41,684	-	3,079,295
Infrastructure	19,168,417	896,168	-	20,064,585
Total accumulated depreciation	<u>27,622,526</u>	<u>1,244,594</u>	<u>197,904</u>	<u>28,669,216</u>
Total capital assets being depreciated, net	<u>20,818,975</u>	<u>294,566</u>	<u>-</u>	<u>21,113,541</u>
Business-type activities capital assets, net	<u>\$ 22,075,259</u>	<u>\$ 819,092</u>	<u>\$ 378,905</u>	<u>\$ 22,515,446</u>

NOTE 6: CAPITAL ASSETS - (Continued)

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

Governmental activities	
General government	\$ 105,051
Public safety	229,478
Public works	1,678,430
Health	4,930
Parks and recreation	<u>109,536</u>
Total depreciation expense - governmental activities	<u>\$ 2,127,425</u>
Business-type activities	
Electric	\$ 316,610
Water	514,924
Wastewater	235,057
EMS	115,999
Solid Waste	9,186
Airport	<u>52,818</u>
Total depreciation expense - business-type activities	<u>\$ 1,244,594</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 883 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.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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 2018 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not yet receiving benefits	107
Active employees	<u>134</u>
	<u>316</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 13.06% and 13.21% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$829,948, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
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, 2017 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	<u>5.00%</u>	7.50%
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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 30,506,229	\$ 25,232,705	\$ 5,273,524
Changes for the year:			
Service cost	803,650	-	803,650
Interest	2,050,665	-	2,050,665
Difference between expected and actual experience	(95,374)	-	(95,374)
Change of assumptions	-	-	-
Contributions - Employer	-	779,767	(779,767)
Contributions - Employee	-	358,239	(358,239)
Net investment income	-	3,497,425	(3,497,425)
Benefit payments, including refunds of employee contributions	(1,055,658)	(1,055,658)	-
Administrative expense	-	(18,124)	18,124
Other changes	-	(918)	918
Net changes	<u>1,703,283</u>	<u>3,560,731</u>	<u>(1,857,448)</u>
Balance at 12/31/2017	<u>\$ 32,209,512</u>	<u>\$ 28,793,436</u>	<u>\$ 3,416,076</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:	\$8,134,128	\$3,416,076	(\$418,642)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$995,708.

At September 30, 2018, 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	\$ 202,335	\$ 68,202
Changes in actuarial assumptions	28,778	-
Difference between projected and actual investment earnings	-	729,684
Contributions subsequent to the measurement date	629,382	-
Total	\$ 860,495	\$ 797,886

\$629,382 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, 2019. 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
2018	\$ 192,595
2019	(27,586)
2020	(372,937)
2021	(358,842)
2022	-
Thereafter	-
Total	(\$566,770)

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)Plan Description and Benefits Provided

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2017 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>134</u>
Total	<u>211</u>

Contributions

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. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.24%	0.06%
2018	0.25%	0.05%

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.5% to 10.5 % including inflation
Discount rate	3.31%; based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Implementing GASB Statement No. 75

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Total OPEB Liability as of the 12/31/16 measurement date and recorded a deferred outflow of resources for contributions recorded by the City (retiree portion of SDB rate only) from December 31, 2016 to September 30, 2017. TMRS elected not to calculate other deferrals as of the December 31, 2016 measurement date.

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

Balance at 12/31/2016	\$ 345,259
Changes for the year:	
Service cost	15,524
Interest	13,276
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	31,482
Benefit payments	<u>(3,582)</u>
Net changes	<u>56,700</u>
Balance at 12/31/2017	<u>\$ 401,959</u>

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
City's Total OPEB Liability:	\$482,576	\$401,959	\$339,202

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$34,866.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	25,416	-
Contributions subsequent to the measurement date	11,912	-
Total	<u>\$ 37,328</u>	<u>\$ -</u>

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2018	\$ 6,066
2019	6,066
2020	6,066
2021	6,066
2022	1,152
Thereafter	-
Total	\$25,416

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB)

Plan Description

In addition to providing pension benefits, the City provides medical benefits to eligible retirees and dependents with postemployment health care benefits through a single-employer postemployment healthcare plan (the "plan") administered by Texas Municipal League Multistate Intergovernmental Employee Benefits Pool. A separate audited financial report is not issued on the plan. In order for a City employee to be eligible for this benefit, he or she needs 20 years of service and/or attained the age of 60 with five years of service. Medical benefits are available with four coverage tiers depending on dependent status and continue until Medicare eligible. A Medicare supplement policy is available to Medicare eligible retirees with the retiree paying the full premium.

Eligible retirees pay the full contribution rate for pre-65 medical coverage. The amount of the contribution depends on years of service with the City at retirement. The plan was changed effective June 1, 2015 to provide payment of higher retiree contribution rates for future retirees. Employees hired on or after this date will pay the full retiree contribution rate equal to 195% of the active employee contribution rate. Retirees hired prior to this date will pay the active employee contribution rate for either 2, 5 or 10 years (or to age 65, if earlier) depending on the years of service retirement. All retirees on the effective date will continue to pay the active employee contribution rate.

At the September 30, 2018 valuation and measurement date, the following represents the active employees and retirees that are eligible to participate in the plan:

	<u>Employees Only</u>	<u>Employee & Dependents</u>
Retirees	2	1
Active employees	68	13

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)Total OPEB Liability*Funded Status*

As of September 30, 2018, the most recent valuation date, the Total OPEB Liability for benefits was \$390,842, all of which was unfunded. There are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Actuarial Methods and Assumptions

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. The actuarial methods and assumptions used in the September 30, 2018 valuation are as follows:

Actuarial method	Individual entry age normal cost method – level percentage of projected salary
Discount rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Health care cost trend	Level 5.00%
Mortality rates	RPH-2014 Total Table with Projection MP-2018
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report
Disability	None assumed
Retirement rates	Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report
Salary scale	3.50%

Implementing GASB Statement No. 75

In the year of implementation (fiscal year ended September 30, 2018), the City made a prior period adjustment for the Total OPEB Liability as of September 30, 2017.

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

Balance at 9/30/17	\$	383,961
Changes for the year:		
Service cost		11,326
Interest		15,641
Change of benefit terms		-
Difference between expected and actual experience		-
Change of assumptions		-
Benefit payments		(20,086)
Net changes		<u>6,881</u>
Balance at 9/30/18	\$	<u>390,842</u>

NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 5.00%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1.0% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1.0% Increase in Discount Rate (6.00%)
City's Total OPEB Liability:	\$353,307	\$390,842	\$434,724

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

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

	1.0% Decrease in Trend Rate (3.06%)	Trend Rate (4.06%)	1.0% Increase in Trend Rate (5.06%)
City's Total OPEB Liability:	\$359,684	\$390,842	\$425,286

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$29,967.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in actuarial assumptions	-	-
Differences between projected and actual investments	-	-
Total	\$ -	\$ -

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	-
Total	\$ -

NOTE 10: LONG-TERM DEBT**A. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 8,794,235	\$ -	\$ (601,470)	\$ 8,192,765	\$ 484,990
General obligation bonds	<u>4,887,052</u>	<u>-</u>	<u>-</u>	<u>4,887,052</u>	<u>205,810</u>
Total bonds and certificates payable	<u>13,681,287</u>	<u>-</u>	<u>(601,470)</u>	<u>13,079,817</u>	<u>690,800</u>
Bond premium	<u>774,293</u>	<u>-</u>	<u>(61,511)</u>	<u>712,782</u>	<u>-</u>
Compensated absences	<u>427,756</u>	<u>341,230</u>	<u>(327,880)</u>	<u>441,106</u>	<u>110,277</u>
OPEB liability	<u>590,668</u>	<u>51,501</u>	<u>-</u>	<u>642,169</u>	<u>-</u>
Net pension liability	<u>4,271,555</u>	<u>-</u>	<u>(1,504,534)</u>	<u>2,767,021</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 19,745,559</u>	<u>\$ 392,731</u>	<u>\$ (2,495,395)</u>	<u>\$ 17,642,895</u>	<u>\$ 801,077</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 8,850,765	\$ -	\$ (243,530)	\$ 8,607,235	\$ 255,010
General obligation bonds	<u>1,762,948</u>	<u>-</u>	<u>(120,000)</u>	<u>1,642,948</u>	<u>69,190</u>
Total bonds and certificates payable	<u>10,613,713</u>	<u>-</u>	<u>(363,530)</u>	<u>10,250,183</u>	<u>324,200</u>
Bond premium	<u>468,308</u>	<u>-</u>	<u>(32,261)</u>	<u>436,047</u>	<u>-</u>
State infrastructure note	<u>3,014,787</u>	<u>-</u>	<u>(155,560)</u>	<u>2,859,227</u>	<u>159,449</u>
Capital leases payable	<u>219,939</u>	<u>121,741</u>	<u>(237,330)</u>	<u>104,350</u>	<u>17,392</u>
Compensated absences	<u>54,994</u>	<u>72,368</u>	<u>(68,919)</u>	<u>58,443</u>	<u>58,443</u>
OPEB liability	<u>65,599</u>	<u>10,773</u>	<u>-</u>	<u>76,372</u>	<u>-</u>
Net pension liability	<u>1,001,969</u>	<u>-</u>	<u>(352,915)</u>	<u>649,054</u>	<u>-</u>
Total business-type activity long-term liabilities	<u>\$ 15,439,309</u>	<u>\$ 204,882</u>	<u>\$ (1,210,515)</u>	<u>\$ 14,433,676</u>	<u>\$ 559,484</u>

NOTE 10: LONG-TERM DEBT - (Continued)

B. Bonds and Certificates Payable - Governmental Activities

Bonds and certificates payable of the City's governmental activities at September 30, 2018, were comprised of the following individual issues:

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%.	\$ 135,000
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%.	744,000
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%.	7,313,765
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>\$ 13,079,817</u>

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

Year Ending September 30	Principal	Interest	Total
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	947,672	348,209	1,295,881
2024-2028	5,271,393	1,220,225	6,491,618
2029-2033	2,620,785	463,472	3,084,257
2034-2035	<u>1,173,245</u>	<u>61,238</u>	<u>1,234,483</u>
	<u>\$ 13,079,817</u>	<u>\$ 3,773,008</u>	<u>\$ 16,852,825</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 10: 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, 2018, were comprised of the following individual issues:

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%.	\$ 56,000
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%.	8,551,235
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>\$ 10,250,183</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>
2019	\$ 324,200	\$ 351,136	\$ 675,336
2020	337,838	342,891	680,729
2021	344,278	334,590	678,868
2022	606,962	324,041	931,003
2023	637,328	297,316	934,644
2024-2028	3,563,607	1,110,513	4,674,120
2029-2033	3,064,215	541,890	3,606,105
2034-2035	<u>1,371,755</u>	<u>71,599</u>	<u>1,443,354</u>
	<u>\$ 10,250,183</u>	<u>\$ 3,373,976</u>	<u>\$ 13,624,159</u>

NOTE 10: 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
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	176,002	54,928	230,930
2024-2028	948,252	206,398	1,154,650
2029-2033	1,072,859	81,788	1,154,647
	<u>\$ 2,859,227</u>	<u>\$ 604,720</u>	<u>\$ 3,463,947</u>

E. Capital Lease - Business-type Activities

The City has entered into a lease agreement to purchase EMS and physio equipment from Stryker Sales Corporation. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The assets acquired through the capital lease are as follows:

	Business-type Activities
Machinery and equipment	\$ 121,741
	121,741
Less: Accumulated depreciation	(11,594)
	<u>\$ 110,147</u>

NOTE 10: LONG-TERM DEBT - (Continued)**E. Capital Lease - Business-type Activities - (Continued)**

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

<u>Year Ending September 30</u>	<u>Business-type Activities</u>
2019	\$ 17,392
2020	17,392
2021	17,392
2022	17,392
2023	17,391
Thereafter	<u>17,391</u>
Total minimum lease payments	104,350
Less: Amount representing interest	-
Present value of minimum lease payments	<u>\$ 104,350</u>

F. Debt Reserves

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

	<u>Reserve Requirement</u>
2006 Combination Certificates of Obligation	\$ 3,500
2006A Combination Certificates of Obligation	20,900
2015 Combination Certificates of Obligation	325,700
2016 General Obligation Refunding Bonds	<u>130,600</u>
	<u>\$ 480,700</u>

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

<u>Fund</u>	<u>Cash</u>
Debt Service I & S Fund	\$ 240,674
Water Utility Fund	<u>240,026</u>
	<u>\$ 480,700</u>

NOTE 11: 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, 2018, there was \$3,955,000 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.

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, 2018 there were no refunding bonds outstanding. Under the provisions of the contract, the City has agreed to pay GBRA through 2018 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 12: 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, 2018, the City had received \$3,210,173 in scheduled installment payments and therefore the receivable is \$0 at September 30, 2018.

NOTE 13: 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, 2018, 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 14: RELATED PARTY TRANSACTIONS

During the fiscal year ending September 30, 2018, LEDC (a discretely presented component unit of the City) transferred a total of \$88,321 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 15: CONTINGENCIES AND COMMITMENTS**A. Litigation**

The City was not involved in any significant litigation as of September 30, 2018, 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, 2018, 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 16: 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, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	<u>\$ 25,974</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	\$ -	\$ 95,613	\$ 95,613
Nonmajor govt.	429,633	68,700	498,333
Electric	2,189,609	4,633	2,194,242
Water	58,448	-	58,448
Wastewater	402,779	186,594	589,373
Nonmajor business-type	252,591	-	252,591
	<u>\$ 3,333,060</u>	<u>\$ 355,540</u>	<u>\$3,688,600</u>

NOTE 17: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2018:

	<u>Governmental Fund Balances</u>				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	<u>Total</u>
General					
Prepaid expenditures	\$ 37,870	\$ -	\$ -	\$ -	\$ 37,870
Inventory	11,563	-	-	-	11,563
Sidewalks	-	-	17,596	-	17,596
Revolving loan	-	-	263,827	-	263,827
Industrial park	-	-	272,454	-	272,454
Unassigned	-	-	-	4,451,131	4,451,131
2015 Cert. of Oblig.					
Various capital projects	-	4,239,670	-	-	4,239,670
Nonmajor Governmental					
Prepaid expenditures	2,765	-	-	-	2,765
Various capital projects	-	291,787	-	-	291,787
General government	-	35,067	-	-	35,067
Tourism	-	2,721	-	-	2,721
Public safety	-	227,044	-	-	227,044
Public works	-	903,976	-	-	903,976
Debt service	-	240,674	-	-	240,674
	<u>\$ 52,198</u>	<u>\$ 5,940,939</u>	<u>\$ 553,877</u>	<u>\$ 4,451,131</u>	<u>\$10,998,145</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, 2018, the City of Lockhart rebated sales taxes totaling \$1,278 under this program. The City also rebated property taxes in fiscal year 2018 totaling \$17,703. The following tax rebate agreements exceeded 10 percent of the total amount rebated:

\$1,278 (or 50%) was rebated to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. \$17,703 of property tax rebates were paid to the same company for improvements made to real property (53.6%-2015; 84.96%-2016; 77.48%-2017) over the last three years and 100% on furniture, fixtures and equipment.

NOTE 19: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The GASB has issued the following statement which became effective for fiscal year 2018:

GASB Statement No. 75: Accounting and Financial Reporting for Post-employment Benefits Other than Pensions replaces previous authoritative literature. For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the related OPEB expense on their financial statements along with the related deferred outflows and inflows of resources. In addition to the deferred outflows/inflows associated with plan experience and assumption changes, the standard requires the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period to be reported as a deferred outflow of resources.

The implementation of GASB No. 75 resulted in the restatement of beginning net position for the recording of the beginning OPEB liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying the change results in the adjustments below.

In addition, there were restatements to the General Fund unassigned fund balance and the Wastewater Fund unrestricted net position at September 30, 2017. The changes are listed below.

	Government-wide		Fund Level				
	Governmental Activities	Business-type Activities	General	Electric	Water	Wastewater	Sanitation
Net position at September 30, 2017, as previously reported	\$ 17,190,031	\$ 25,160,951	\$4,541,515	\$4,908,561	\$9,202,227	\$ 6,549,783	\$ 714,319
Recording of unavailable revenue on charges for services	-	-	(74,320)	-	-	-	-
Recording of GBRA receivable	-	245,824	-	-	-	245,824	-
Recording of Total OPEB - Health liability as of September 30, 2017	(311,006)	-	-	-	-	-	-
Recording of Total OPEB - SDB liability as of September 30, 2017	(279,660)	(65,599)	-	(37,978)	(13,810)	(6,906)	(6,905)
Deferral for OPEB - SDB contributions made after the measurement date	8,622	2,028	-	1,172	427	216	213
Net position at September 30, 2017, as restated	<u>\$ 16,607,987</u>	<u>\$ 25,343,204</u>	<u>\$4,467,195</u>	<u>\$4,871,755</u>	<u>\$9,188,844</u>	<u>\$ 6,788,917</u>	<u>\$ 707,627</u>

NOTE 20: 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, 2018, 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 20: 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 20: 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, 2018:

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, 2018, 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 20: 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, 2018, 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, 2018, 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, 2018, was \$147,819. 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, 2018, 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 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Capital Assets

The LEDC's capital asset activity for the year ended September 30, 2018 was 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	\$ 108,000	\$ -	\$ -	\$ 108,000
Total capital assets not being depreciated	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>108,000</u>
Capital assets, being depreciated				
Buildings	612,000	-	-	612,000
Total capital assets being depreciated	<u>612,000</u>	<u>-</u>	<u>-</u>	<u>612,000</u>
Less accumulated depreciation for				
Buildings	73,440	12,240	-	85,680
Total accumulated depreciation	<u>73,440</u>	<u>12,240</u>	<u>-</u>	<u>85,680</u>
Total capital assets being depreciated, net	<u>538,560</u>	<u>(12,240)</u>	<u>-</u>	<u>526,320</u>
Discretely presented component unit capital assets, net	<u>\$ 646,560</u>	<u>\$ (12,240)</u>	<u>\$ -</u>	<u>\$ 634,320</u>

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

Discretely presented component unit

General government \$ 12,240

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	\$ 201,905	\$ -	\$ (17,736)	\$ 184,169	\$ 19,040
Compensated absences	2,684	5,133	(6,791)	1,026	1,026
Total discretely presented component unit	<u>\$ 204,589</u>	<u>\$ 5,133</u>	<u>\$ (24,527)</u>	<u>\$ 185,195</u>	<u>\$ 20,066</u>

NOTE 20: 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
2019	\$ 19,040	\$ 9,213	\$ 28,253
2020	19,964	8,337	28,301
2021	20,933	7,413	28,346
2022	21,950	6,443	28,393
2023	23,015	5,427	28,442
2024-2027	<u>79,267</u>	<u>10,541</u>	<u>89,808</u>
	<u>\$ 184,169</u>	<u>\$ 47,374</u>	<u>\$ 231,543</u>

I. Contingencies and Commitments

1. Litigation

LEDC was not involved in any litigation as of September 30, 2018, 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, 2018, the Lockhart Economic Development Corporation rebated sales taxes totaling \$639 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 \$639.



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, 2018

	Budget	Actual	Variance with
	Original / Final	Amounts	Final Budget
			Positive
			(Negative)
REVENUES			
Property taxes	\$ 3,525,392	\$ 3,642,474	\$ 117,082
Sales and other taxes	1,871,048	2,013,845	142,797
Fines, fees, and forfeitures	283,164	364,423	81,259
Licenses and permits	110,499	192,622	82,123
Intergovernmental and grants	211,850	323,298	111,448
Investment	25,352	89,701	64,349
Miscellaneous	148,772	263,684	114,912
Total revenues	<u>6,176,077</u>	<u>6,890,047</u>	<u>713,970</u>
EXPENDITURES			
Current			
General government	2,428,265	1,891,347	536,918
Public safety	4,908,827	4,978,250	(69,423)
Public works	1,491,447	1,593,994	(102,547)
Health and welfare	10,682	11,396	(714)
Culture and recreation	963,142	938,896	24,246
Capital outlay	374,158	126,365	247,793
Total expenditures	<u>10,176,521</u>	<u>9,540,248</u>	<u>636,273</u>
Excess (deficiency) of revenues over expenditures	(4,000,444)	(2,650,201)	1,350,243
OTHER FINANCING SOURCES (USES)			
Transfers in	3,289,429	3,333,060	43,631
Transfers out	(96,000)	(95,613)	387
Total other financing sources (uses)	<u>3,193,429</u>	<u>3,237,447</u>	<u>44,018</u>
Net change in fund balance	(807,015)	587,246	1,394,261
Fund balance - beginning, as restated	4,467,195	4,467,195	-
Fund balance - ending	<u>\$ 3,660,180</u>	<u>\$ 5,054,441</u>	<u>\$ 1,394,261</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

TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

Last ten years

	Measurement Year		
	2014	2015	2016
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 Payroll	\$ 5,359,686	\$ 5,730,595	\$ 5,937,749
Net Pension Liability as a Percentage of Covered Payroll	51.86%	86.78%	88.81%

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

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

Measurement Year

2017

\$ 803,650
2,050,665
(95,374)
-

(1,055,658)

1,703,283

30,506,229

\$ 32,209,512

\$ 779,767
358,239
3,497,425

(1,055,658)

(18,124)

(918)

3,560,731

25,232,705

\$ 28,793,436

\$ 3,416,076

89.39%

\$ 5,970,653

57.21%

CITY OF LOCKHART, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
Last ten fiscal years

	Fiscal Year		
	2015	2016	2017
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 payroll	\$ 5,617,224	\$ 6,129,529	\$ 5,911,532
Contributions as a percentage of covered payroll	12.33%	11.99%	12.76%

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

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

Fiscal Year
2018

\$ 829,948

(829,948)

\$ -

\$ 6,300,160

13.17%

CITY OF LOCKHART, TEXAS

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten years*

	<u>Measurement Year</u>
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 15,524
Interest (on the total OPEB liability)	13,276
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	31,482
Benefit payments	<u>(3,582)</u>
Net Change in Total OPEB Liability	56,700
Total OPEB Liability - Beginning	<u>345,259</u>
Total OPEB Liability - Ending	<u>\$ 401,959</u>
Covered Payroll	\$ 5,970,653
Total OPEB Liability as a Percentage of Covered Payroll	6.73%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine 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
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten fiscal years

	<u>Fiscal Year</u>
	<u>2018</u>
Actuarially Determined Contribution	\$ 3,303
Contribution in relation to the actuarially determined contribution	<u>(3,303)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 6,300,160
Contributions as a percentage of covered payroll	0.0524%

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

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

CITY OF LOCKHART, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTHCARE
Last ten years

	<u>Measurement Year</u>
	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 11,326
Interest (on the total OPEB liability)	15,641
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	-
Benefit payments	<u>(20,086)</u>
Net Change in Total OPEB Liability	6,881
Total OPEB Liability - Beginning	<u>383,961</u>
Total OPEB Liability - Ending	<u>\$ 390,842</u>
Covered Payroll	\$ 3,778,438
Total OPEB Liability as a Percentage of Covered Payroll	10.34%

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

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

CITY OF LOCKHART, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

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.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

There were several situations of expenditures exceeding the amounts appropriated during the fiscal year 2017-2018.

<u>Fund/Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Public Safety	\$ 4,908,827	\$ 4,978,250	\$ (69,423)
Public Works	1,491,447	1,593,994	(102,547)
Health and welfare	10,682	11,396	(714)

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: DEFINED BENEFIT PENSION PLAN

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% 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.

CITY OF LOCKHART, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.

NOTE 5: RETIREE HEALTH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.

Combining and Individual Fund Statements

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,080,731	\$ 240,674	\$ 337,437	\$ 1,658,842
Receivables (net)	136,751	58,269	-	195,020
Prepaid expenditures	10,339	-	-	10,339
Total assets	<u>\$ 1,227,821</u>	<u>\$ 298,943</u>	<u>\$ 337,437</u>	<u>\$ 1,864,201</u>
LIABILITIES				
Accounts payable	\$ 14,089	\$ -	\$ -	\$ 14,089
Due to other funds	25,974	-	-	25,974
Deposits	-	-	45,650	45,650
Total liabilities	<u>40,063</u>	<u>-</u>	<u>45,650</u>	<u>85,713</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	16,185	58,269	-	74,454
Total deferred inflows of resources	<u>16,185</u>	<u>58,269</u>	<u>-</u>	<u>74,454</u>
FUND BALANCES				
Nonspendable				
Prepaid expenditures	2,765	-	-	2,765
Restricted				
General government	35,067	-	-	35,067
Tourism	2,721	-	-	2,721
Public safety	227,044	-	-	227,044
Public works	903,976	-	-	903,976
Debt service	-	240,674	-	240,674
Various capital projects	-	-	291,787	291,787
Total fund balances	<u>1,171,573</u>	<u>240,674</u>	<u>291,787</u>	<u>1,704,034</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,227,821</u>	<u>\$ 298,943</u>	<u>\$ 337,437</u>	<u>\$ 1,864,201</u>

CITY OF LOCKHART, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	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	\$ -	\$ 710,351	\$ -	\$ 710,351
Sales and other taxes	101,120	-	-	101,120
Fines, fees, and forfeitures	863,134	-	-	863,134
Intergovernmental and grants	135,326	-	-	135,326
Investment	16,016	10,840	5,681	32,537
Miscellaneous	-	59,612	-	59,612
Total revenues	<u>1,115,596</u>	<u>780,803</u>	<u>5,681</u>	<u>1,902,080</u>
EXPENDITURES				
Current				
General government	42,340	-	-	42,340
Public safety	234,269	-	-	234,269
Public works	133,411	-	-	133,411
Culture and recreation	10,835	-	-	10,835
Capital outlay	-	-	75,625	75,625
Debt service				
Principal retirement	-	601,470	-	601,470
Interest and fiscal charges	-	483,207	-	483,207
Paying agent and issue costs	-	1,000	-	1,000
Total expenditures	<u>420,855</u>	<u>1,085,677</u>	<u>75,625</u>	<u>1,582,157</u>
Excess (deficiency) of revenues over expenditures	694,741	(304,874)	(69,944)	319,923
OTHER FINANCING SOURCES (USES)				
Transfers in	95,613	259,927	-	355,540
Transfers out	(498,333)	-	-	(498,333)
Total other financing sources (uses)	<u>(402,720)</u>	<u>259,927</u>	<u>-</u>	<u>(142,793)</u>
Net change in fund balances	292,021	(44,947)	(69,944)	177,130
Fund balances - beginning, as restated	<u>879,552</u>	<u>285,621</u>	<u>361,731</u>	<u>1,526,904</u>
Fund balances - ending	<u>\$ 1,171,573</u>	<u>\$ 240,674</u>	<u>\$ 291,787</u>	<u>\$ 1,704,034</u>

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	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	\$ 59,955	\$ 3,784	\$ 311	\$ 6,001	\$ 557,478	\$ 52,355
Receivables (net)	-	-	20,038	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Total assets	<u>\$ 59,955</u>	<u>\$ 3,784</u>	<u>\$ 20,349</u>	<u>\$ 6,001</u>	<u>\$ 557,478</u>	<u>\$ 52,355</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 10,049	\$ -	\$ -	\$ -
Due to other funds	-	-	7,579	-	-	-
Total liabilities	-	-	17,628	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted						
General government	-	-	-	6,001	-	-
Tourism	-	-	2,721	-	-	-
Public safety	59,955	3,784	-	-	-	-
Public works	-	-	-	-	557,478	52,355
Total fund balances	<u>59,955</u>	<u>3,784</u>	<u>2,721</u>	<u>6,001</u>	<u>557,478</u>	<u>52,355</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 59,955</u>	<u>\$ 3,784</u>	<u>\$ 20,349</u>	<u>\$ 6,001</u>	<u>\$ 557,478</u>	<u>\$ 52,355</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>
\$ -	\$ 88,518	\$ 11,137	\$ 19,747	\$ 10,544	\$ 19,975	\$ 1,366
4,329	-	3,247	815	792	6,351	651
9,634	-	-	-	-	-	-
<u>\$ 13,963</u>	<u>\$ 88,518</u>	<u>\$ 14,384</u>	<u>\$ 20,562</u>	<u>\$ 11,336</u>	<u>\$ 26,326</u>	<u>\$ 2,017</u>
\$ 83	\$ 3,252	\$ -	\$ -	\$ -	\$ -	\$ -
7,491	-	-	-	-	-	-
<u>7,574</u>	<u>3,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,329	-	3,247	815	792	6,351	651
<u>4,329</u>	<u>-</u>	<u>3,247</u>	<u>815</u>	<u>792</u>	<u>6,351</u>	<u>651</u>
2,060	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	85,266	11,137	19,747	10,544	19,975	1,366
-	-	-	-	-	-	-
<u>2,060</u>	<u>85,266</u>	<u>11,137</u>	<u>19,747</u>	<u>10,544</u>	<u>19,975</u>	<u>1,366</u>
<u>\$ 13,963</u>	<u>\$ 88,518</u>	<u>\$ 14,384</u>	<u>\$ 20,562</u>	<u>\$ 11,336</u>	<u>\$ 26,326</u>	<u>\$ 2,017</u>

(continued)

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	Cable Education	Transportation System Improvmts	Drainage System Improvmts	Law Enforcement Education - Police	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 22,828	\$ 92,178	\$ 118,579	\$ 15,975	\$ 1,080,731
Receivables (net)	6,238	64,506	29,784	-	136,751
Prepaid expenditures	-	-	-	705	10,339
Total assets	<u>\$ 29,066</u>	<u>\$ 156,684</u>	<u>\$ 148,363</u>	<u>\$ 16,680</u>	<u>\$ 1,227,821</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 705	\$ 14,089
Due to other funds	-	-	10,904	-	25,974
Total liabilities	<u>-</u>	<u>-</u>	<u>10,904</u>	<u>705</u>	<u>40,063</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	16,185
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,185</u>
FUND BALANCES					
Nondspendable	-	-	-	705	2,765
Restricted					
General government	29,066	-	-	-	35,067
Tourism	-	-	-	-	2,721
Public safety	-	-	-	15,270	227,044
Public works	-	156,684	137,459	-	903,976
Total fund balances	<u>29,066</u>	<u>156,684</u>	<u>137,459</u>	<u>15,975</u>	<u>1,171,573</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 29,066</u>	<u>\$ 156,684</u>	<u>\$ 148,363</u>	<u>\$ 16,680</u>	<u>\$ 1,227,821</u>

(concluded)

CITY OF LOCKHART, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2018

	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	\$ -	\$ -	\$ 82,180	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	64	-	-	136,763	95,619
Intergovernmental and grants	-	-	-	-	-	-
Investment	1,001	58	143	94	7,809	680
Total revenues	<u>1,001</u>	<u>122</u>	<u>82,323</u>	<u>94</u>	<u>144,572</u>	<u>96,299</u>
EXPENDITURES						
Current						
General government	-	-	31,345	-	-	-
Public safety	5,115	-	-	-	-	-
Public works	-	-	-	-	50,000	50,000
Culture and recreation	-	-	10,835	-	-	-
Total expenditures	<u>5,115</u>	<u>-</u>	<u>42,180</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	(4,114)	122	40,143	94	94,572	46,299
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	(4,114)	122	143	94	94,572	46,299
Fund balances - beginning	64,069	3,662	2,578	5,907	462,906	6,056
Fund balances - ending	<u>\$ 59,955</u>	<u>\$ 3,784</u>	<u>\$ 2,721</u>	<u>\$ 6,001</u>	<u>\$ 557,478</u>	<u>\$ 52,355</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,911	-	4,439	810	1,109	8,724	968
-	133,191	-	-	-	-	-
-	2,200	159	302	155	237	14
<u>5,911</u>	<u>135,391</u>	<u>4,598</u>	<u>1,112</u>	<u>1,264</u>	<u>8,961</u>	<u>982</u>
-	-	-	-	-	-	-
11,382	212,912	4,180	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,382</u>	<u>212,912</u>	<u>4,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(5,471)	(77,521)	418	1,112	1,264	8,961	982
-	95,613	-	-	-	-	-
-	-	-	-	-	-	-
-	95,613	-	-	-	-	-
(5,471)	18,092	418	1,112	1,264	8,961	982
<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>\$ 2,060</u>	<u>\$ 85,266</u>	<u>\$ 11,137</u>	<u>\$ 19,747</u>	<u>\$ 10,544</u>	<u>\$ 19,975</u>	<u>\$ 1,366</u>

(continued)

CITY OF LOCKHART, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2018

	Cable Education	Transportation System Improvmts	Drainage System Improvmts	Law Enforcement Education - Police	Total
REVENUES					
Sales and other taxes	\$ 18,940	\$ -	\$ -	\$ -	\$ 101,120
Fines, fees, and forfeitures	-	417,534	191,193	-	863,134
Intergovernmental and grants	-	-	-	2,135	135,326
Investment	335	1,064	1,525	240	16,016
Total revenues	<u>19,275</u>	<u>418,598</u>	<u>192,718</u>	<u>2,375</u>	<u>1,115,596</u>
EXPENDITURES					
Current					
General government	9,858	1,137	-	-	42,340
Public safety	-	-	-	680	234,269
Public works	-	-	33,411	-	133,411
Culture and recreation	-	-	-	-	10,835
Total expenditures	<u>9,858</u>	<u>1,137</u>	<u>33,411</u>	<u>680</u>	<u>420,855</u>
Excess (deficiency) of revenues over expenditures	9,417	417,461	159,307	1,695	694,741
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	95,613
Transfers out	-	(390,000)	(68,333)	-	(498,333)
Total other financing sources (uses)	<u>-</u>	<u>(390,000)</u>	<u>(68,333)</u>	<u>-</u>	<u>(402,720)</u>
Net change in fund balances	9,417	27,461	90,974	1,695	292,021
Fund balances - beginning	<u>19,649</u>	<u>129,223</u>	<u>46,485</u>	<u>14,280</u>	<u>879,552</u>
Fund balances - ending	<u>\$ 29,066</u>	<u>\$ 156,684</u>	<u>\$ 137,459</u>	<u>\$ 15,975</u>	<u>\$ 1,171,573</u>

(concluded)

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
September 30, 2018

	<u>Clearfork Detention Basin</u>	<u>Clearfork Section 1 Sidewalk</u>	<u>Maple 2201 Trail Project</u>	<u>2009 Certificates of Obligation</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 21,964	\$ 16,614	\$ 15,000	\$ 283,859	\$ 337,437
Total assets	<u>\$ 21,964</u>	<u>\$ 16,614</u>	<u>\$ 15,000</u>	<u>\$ 283,859</u>	<u>\$ 337,437</u>
LIABILITIES					
Deposits	\$ 17,450	\$ 13,200	\$ 15,000	\$ -	\$ 45,650
Total liabilities	<u>17,450</u>	<u>13,200</u>	<u>15,000</u>	<u>-</u>	<u>45,650</u>
FUND BALANCES					
Restricted					
Various capital projects	4,514	3,414	-	283,859	291,787
Total fund balances	<u>4,514</u>	<u>3,414</u>	<u>-</u>	<u>283,859</u>	<u>291,787</u>
Total liabilities and fund balances	<u>\$ 21,964</u>	<u>\$ 16,614</u>	<u>\$ 15,000</u>	<u>\$ 283,859</u>	<u>\$ 337,437</u>

CITY OF LOCKHART, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR CAPITAL PROJECT FUNDS**

September 30, 2018

	<u>Clearfork Detention Basin</u>	<u>Clearfork Section 1 Sidewalk</u>	<u>Maple 2201 Trail Project</u>	<u>2009 Certificates of Obligation</u>	<u>Total</u>
REVENUES					
Investment	\$ 344	\$ 259	\$ -	\$ 5,078	\$ 5,681
Total revenues	<u>344</u>	<u>259</u>	<u>-</u>	<u>5,078</u>	<u>5,681</u>
EXPENDITURES					
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,625</u>	<u>75,625</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,625</u>	<u>75,625</u>
Excess (deficiency) of revenues over expenditures	344	259	-	(70,547)	(69,944)
Fund balances - beginning	<u>4,170</u>	<u>3,155</u>	<u>-</u>	<u>354,406</u>	<u>361,731</u>
Fund balances - ending	<u>\$ 4,514</u>	<u>\$ 3,414</u>	<u>\$ -</u>	<u>\$ 283,859</u>	<u>\$ 291,787</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, 2018

With comparative totals for the year ended September 30, 2017

	2018		Variance Positive (Negative)	2017
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 685,808	\$ 710,351	\$ 24,543	\$ 692,161
Investment income	-	10,840	10,840	5,115
Miscellaneous	59,612	59,612	-	72,970
Total revenues	<u>745,420</u>	<u>780,803</u>	<u>35,383</u>	<u>770,246</u>
EXPENDITURES				
Debt service				
Principal retirement	601,470	601,470	-	587,160
Interest and fiscal charges	483,207	483,207	-	500,948
Paying agent fees and issue costs	800	1,000	(200)	1,200
Total expenditures	<u>1,085,477</u>	<u>1,085,677</u>	<u>(200)</u>	<u>1,089,308</u>
Excess (deficiency) of revenues over expenditures	(340,057)	(304,874)	35,183	(319,062)
OTHER FINANCING SOURCES (USES)				
Transfers in	326,594	259,927	(66,667)	326,594
Total other financing sources (uses)	<u>326,594</u>	<u>259,927</u>	<u>(66,667)</u>	<u>326,594</u>
Net change in fund balance	\$ (13,463)	(44,947)	\$ (31,484)	7,532
Fund balance at beginning of year		285,621		278,089
Fund balance at end of year		<u>\$ 240,674</u>		<u>\$ 285,621</u>

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2018

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 479,332	\$ 118,661	\$ 597,993
Receivables (net)	<u>258,890</u>	<u>500</u>	<u>259,390</u>
Total current assets	<u>738,222</u>	<u>119,161</u>	<u>857,383</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	120,409	72,161	192,570
Buildings, improvements, and equipment (net)	<u>65,549</u>	<u>1,391,992</u>	<u>1,457,541</u>
Total noncurrent assets	<u>185,958</u>	<u>1,464,153</u>	<u>1,650,111</u>
Total assets	<u>924,180</u>	<u>1,583,314</u>	<u>2,507,494</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pension	16,361	-	16,361
Deferred outflow related to OPEB	<u>747</u>	<u>-</u>	<u>747</u>
Total deferred outflows of resources	<u>17,108</u>	<u>-</u>	<u>17,108</u>
LIABILITIES			
Current liabilities			
Accounts payable	97,110	260	97,370
Payroll related payables	5,220	-	5,220
Customer deposits	150	6,875	7,025
Unearned revenue	-	2,758	2,758
Accrued compensated absences	<u>5,146</u>	<u>-</u>	<u>5,146</u>
Total current liabilities	<u>107,626</u>	<u>9,893</u>	<u>117,519</u>
Noncurrent liabilities			
Net pension liability	68,322	-	68,322
OPEB liability	<u>15,856</u>	<u>-</u>	<u>15,856</u>
Total noncurrent liabilities	<u>84,178</u>	<u>-</u>	<u>84,178</u>
Total liabilities	<u>191,804</u>	<u>9,893</u>	<u>201,697</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pension	<u>15,211</u>	<u>-</u>	<u>15,211</u>
Total deferred inflows of resources	<u>15,211</u>	<u>-</u>	<u>15,211</u>
NET POSITION			
Net investment in capital assets	185,958	1,464,153	1,650,111
Unrestricted	<u>548,315</u>	<u>109,268</u>	<u>657,583</u>
Total net position	<u>\$ 734,273</u>	<u>\$ 1,573,421</u>	<u>\$ 2,307,694</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, 2018*

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,689,309	\$ 70,993	\$ 1,760,302
Miscellaneous	19,503	440	19,943
Total operating revenues	<u>1,708,812</u>	<u>71,433</u>	<u>1,780,245</u>
OPERATING EXPENSES			
Personnel services	230,755	-	230,755
Contracts and services	1,201,443	25,683	1,227,126
Materials and supplies	8,332	-	8,332
Maintenance and repairs	10,104	21,629	31,733
Depreciation	9,186	52,818	62,004
Miscellaneous	1,291	-	1,291
Total operating expenses	<u>1,461,111</u>	<u>100,130</u>	<u>1,561,241</u>
Operating income before nonoperating revenues (expenses) and transfers	247,701	(28,697)	219,004
NONOPERATING REVENUES (EXPENSES)			
Investment income	7,486	1,661	9,147
Gain (loss) on disposition of capital assets	3,510	-	3,510
Noncapital grants and contributions	20,540	-	20,540
Net nonoperating revenues (expenses)	<u>31,536</u>	<u>1,661</u>	<u>33,197</u>
Income (loss) before transfers	279,237	(27,036)	252,201
Transfers out	<u>(252,591)</u>	<u>-</u>	<u>(252,591)</u>
Change in net position	26,646	(27,036)	(390)
Net position - beginning, as restated	<u>707,627</u>	<u>1,600,457</u>	<u>2,308,084</u>
Net position - ending	<u>\$ 734,273</u>	<u>\$ 1,573,421</u>	<u>\$ 2,307,694</u>

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the year ended September 30, 2018

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,687,835	\$ 70,538	\$ 1,758,373
Cash payments to suppliers for goods and services	(1,216,578)	(47,368)	(1,263,946)
Cash payments to employees for services	(216,677)	-	(216,677)
Net cash provided by operating activities	<u>254,580</u>	<u>23,170</u>	<u>277,750</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	100	(75)	25
Noncapital grants and contributions	20,540	-	20,540
Transfers out to other funds	(252,591)	-	(252,591)
Net cash provided (used) by noncapital financing activities	<u>(231,951)</u>	<u>(75)</u>	<u>(232,026)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(22,570)	-	(22,570)
Proceeds from sale of capital assets	3,510	-	3,510
Net cash used by capital financing activities	<u>(19,060)</u>	<u>-</u>	<u>(19,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	7,486	1,661	9,147
Net cash provided (used) by investing activities	<u>7,486</u>	<u>1,661</u>	<u>9,147</u>
Net increase in cash and cash equivalents	11,055	24,756	35,811
Cash and cash equivalents at beginning of year	468,277	93,905	562,182
Cash and cash equivalents at end of year	<u>\$ 479,332</u>	<u>\$ 118,661</u>	<u>\$ 597,993</u>
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 247,701	\$ (28,697)	\$ 219,004
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,186	52,818	62,004
Change in assets and liabilities:			
(Increase) decrease in receivables	(20,977)	255	(20,722)
(Increase) decrease in deferred outflow related to pension	25,596	-	25,596
(Increase) decrease in deferred outflow related to OPEB	(534)	-	(534)
Increase (decrease) in accounts payable	4,592	(56)	4,536
Increase (decrease) in payroll related payables	1,054	-	1,054
Increase (decrease) in unearned revenue	-	(1,150)	(1,150)
Increase (decrease) in accrued compensated absences	1,291	-	1,291
Increase (decrease) in net pension liability	(37,148)	-	(37,148)
Increase (decrease) in OPEB liability	8,951	-	8,951
Increase (decrease) in deferred inflow related to pension	14,868	-	14,868
Net cash provided by operating activities	<u>\$ 254,580</u>	<u>\$ 23,170</u>	<u>\$ 277,750</u>

CITY OF LOCKHART, TEXAS
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 September 30, 2018

	Private Purpose Trusts		Total
	Glosserman Trust	Brock Cabin Trust	
ASSETS			
Cash and cash equivalents	\$ 521	\$ 1,218	\$ 1,739
Total assets	<u>521</u>	<u>1,218</u>	<u>1,739</u>
LIABILITIES			
Due to others	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held for various purposes	\$ 521	\$ 1,218	\$ 1,739

Agency Funds

<u>Confiscated Property</u>	<u>Unclaimed Property</u>	<u>Bicycle Helmet</u>	<u>Total</u>
\$ 10,398	\$ 8,826	\$ 1,080	\$ 20,304
<u>\$ 10,398</u>	<u>\$ 8,826</u>	<u>\$ 1,080</u>	<u>\$ 20,304</u>
\$ 10,398	\$ 8,826	\$ 1,080	\$ 20,304
<u>\$ 10,398</u>	<u>\$ 8,826</u>	<u>\$ 1,080</u>	<u>\$ 20,304</u>

CITY OF LOCKHART, TEXAS*COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**PRIVATE PURPOSE TRUSTS**For the year ended September 30, 2018*

	<u>Glosserman Trust</u>	<u>Brock Cabin Trust</u>	<u>Total</u>
ADDITIONS			
Investment income	\$ 8	\$ 19	\$ 27
Total additions	<u>8</u>	<u>19</u>	<u>27</u>
DEDUCTIONS			
	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	8	19	27
Net position - beginning	<u>513</u>	<u>1,199</u>	<u>1,712</u>
Net position - ending	<u>\$ 521</u>	<u>\$ 1,218</u>	<u>\$ 1,739</u>

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA
DENNIS C. CIHAL, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255
FAX: (361) 573-9531

**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2019. 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 13, 2019