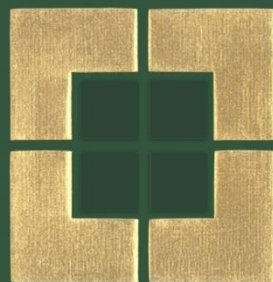


**City of
Bruceville-Eddy, Texas**

September 30, 2018

Financial Statements



**BROCKWAY
GERSBACH
FRANKLIN &
NIEMEIER, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF BRUCEVILLE-EDDY, TEXAS

FINANCIAL STATEMENTS

September 30, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

AND REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Bruceville-Eddy, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

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, each major fund, and the aggregate remaining fund information of the City of Bruceville-Eddy, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, schedule of changes in net pension liability (asset) and related ratios, schedule of contributions, schedule of changes in total OPEB liability and related ratios and budgetary comparison information on pages 5 through 11 and 61 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

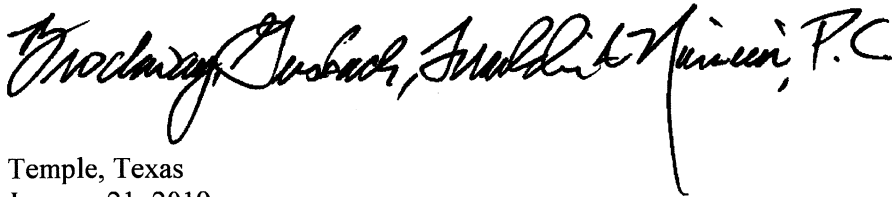
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative individual fund financial statements presented on pages 71 through 73 are for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative 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 comparative individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 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 effectiveness of the City's 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.



Temple, Texas
January 21, 2019

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of the City of Bruceville-Eddy, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2018. Please read it in conjunction with the Independent Auditors' Report on pages 1 through 3, and the City's Basic Financial Statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$ 762,988 as a result of this year's operations.
- The General Fund ended the year with a fund balance of \$ 2,147,868.
- During the year, the City had governmental expenses that were \$ 213,239 less than the \$ 1,262,506 generated in tax and other revenues for governmental programs.
- The total cost of all the City's programs was \$ 2,583,129. Of this amount, \$ 2,065,736 was directly attributed to Public Safety (Police Department) and Water Services. The remainder of the cost was mainly for general government and street repair.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 through 17). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE–EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

These two statements report the City’s net position and the changes in them. The City’s net position (the difference between assets and liabilities) provide one measure of the City’s financial health, or financial position. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the property tax base and the condition of the City’s facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities – Most of the City’s basic services are reported here, including the police, streets, culture and recreation, and general government. Property taxes, fines and sales taxes finance most of these activities.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City’s water system activities are reported here.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City’s two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental fund – The majority of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund statements are detailed in a reconciliation following the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Proprietary fund - The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in the proprietary fund. The proprietary fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information such as cash flows for the proprietary fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was \$ 6,246,789 as of September 30, 2018. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position was \$ 3,637,719 and the governmental activities net position was \$ 2,609,070.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

The following condensed financial statements focus on the Net Position (Table I) and Change in Net Position (Table II) of general revenues and significant expenses of the City's governmental and business-type activities.

Table I

NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$2,301,952	\$2,011,347	\$2,581,450	\$2,044,749	\$4,883,402	\$4,056,096
Noncurrent and capital assets	518,837	580,209	3,746,810	3,958,296	4,265,647	4,538,505
Total assets	2,820,789	2,591,556	6,328,260	6,003,045	9,149,049	8,594,601
Deferred outflows	2,230	63,938	956	28,855	3,186	92,793
Total assets and deferred outflows	2,823,019	2,655,494	6,329,216	6,031,900	9,152,235	8,687,394
Other liabilities	85,555	118,926	177,530	436,382	263,085	555,308
Long-term liabilities	107,197	130,025	2,509,893	2,507,548	2,617,090	2,637,573
Total liabilities	192,752	248,951	2,687,423	2,943,930	2,880,175	3,192,881
Deferred inflows	21,197	10,712	4,074	-	25,271	10,712
Total liabilities and deferred inflows	213,949	259,663	2,691,497	2,943,930	2,905,446	3,203,593
Net Position:						
Net investment in capital assets	451,963	486,079	1,253,474	746,641	1,705,437	1,232,720
Restricted	71,246	60,274	413,897	552,654	485,143	612,928
Unrestricted, as restated	2,085,861	1,849,478	1,970,348	1,788,675	4,056,209	3,638,153
Total Net Position	\$2,609,070	\$2,395,831	\$3,637,719	\$3,087,970	\$6,246,789	\$5,483,801

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Table II

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for services	\$ 735,110	\$ 770,994	\$ 1,785,921	\$ 1,552,659	\$ 2,521,031	\$ 2,323,653
General Revenues:						
Property tax	357,314	323,573	-	-	357,314	323,573
Sales tax	73,187	73,998	-	-	73,187	73,998
Other taxes	61,769	59,962	-	-	61,769	59,962
Investment earnings	14,354	7,079	20,652	11,999	35,006	19,078
Grants (non-operating)	-	-	266,300	33,700	266,300	33,700
Miscellaneous	20,772	36,266	10,738	9,853	31,510	46,119
Total Revenue	1,262,506	1,271,872	2,083,611	1,608,211	3,346,117	2,880,083
Expenses:						
General government	488,717	421,372	-	-	488,717	421,372
Public safety	531,874	538,927	-	-	531,874	538,927
Streets	26,547	27,910	-	-	26,547	27,910
Interest on long-term debt	2,129	2,504	-	-	2,129	2,504
Water and sewer	-	-	1,533,862	1,522,163	1,533,862	1,522,163
Total Expenses	1,049,267	990,713	1,533,862	1,522,163	2,583,129	2,512,876
Change in net position	213,239	281,159	549,749	86,048	762,988	367,207
Net position - beginning, as restated	2,395,831	2,114,672	3,087,970	3,001,922	5,483,801	5,116,594
Net position - ending	\$2,609,070	\$2,395,831	\$3,637,719	\$3,087,970	\$6,246,789	\$5,483,801

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A large portion of the City's net position (27%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to 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.

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, \$ 4,056,209, may be used to meet the government's ongoing obligations to citizens and creditors.

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

For the year ended September 30, 2018, revenues from governmental activities totaled \$ 1,262,506. Charges for public safety services accounted for 58% of these revenues, while property taxes accounted for 28% of the total.

For the year ended September 30, 2018, expenses for governmental activities totaled \$ 1,049,267. The City's three largest funded programs are for general government, public safety and streets.

Revenues of the City's business-type activities were \$ 2,083,611 for the year ended September 30, 2018. Expenses for the City's business-type activities were \$ 1,533,862. The City's largest business-type activities expense was the purchase of water.

THE CITY'S FUNDS

As the City completed the year, its governmental fund (as presented in the balance sheet on page 18) reported a fund balance of \$ 2,147,868, which is higher than last year's total of \$ 1,871,138.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the City had \$ 4,265,647 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities, equipment and land. This amount represents a net increase of \$ 279,796 due to current year purchases being greater than depreciation and current year disposals. This year's major additions included:

Construction in progress	\$ 198,500
Water facilities	332,269
Machinery and equipment	49,487
Infrastructure	-
	<u>\$ 580,256</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BRUCEVILLE-EDDY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Debt

At year-end, the City had \$ 2,560,210 in bonds and notes outstanding versus \$ 2,753,131 last year. This decrease is due to the principal payments applied to the outstanding debt during fiscal year 2018.

More detailed information about the City's long-term liabilities is presented in the Notes to Financial Statements starting on page 31.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered population growth and available resources from water, public safety and tax revenues when setting the fiscal year ending September 30, 2018 budget and tax rate.

The City adopted a \$ 2,950,912 combined budget for fiscal year ending September 30, 2018. It will be funded through property taxes, water and utility charges, and other local revenues.

If the City does not incur any unforeseen expenditures or reductions in revenue, current revenues should cover current expenses with no change estimated in the General Fund balance and no change in the Water Fund net position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office at City of Bruceville-Eddy, 143 Wilcox Drive, # A, Bruceville-Eddy, Texas 76524.

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BASIC FINANCIAL STATEMENTS

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 759,265	\$ 1,978,313	\$ 2,737,578
Investments	1,392,271	-	1,392,271
Receivables, net	4,663	182,680	187,343
Cash and cash equivalents, restricted	71,246	413,897	485,143
Internal balances	21,353	(21,353)	-
Net pension asset	53,154	27,913	81,067
Capital assets, not being depreciated:			
Land and improvements	60,710	476,262	536,972
Construction in progress	-	326,750	326,750
Capital assets, net of accumulated depreciation:			
Buildings and improvements	33,875	2,595	36,470
Water facilities	-	2,838,931	2,838,931
Machinery and equipment	169,149	102,272	271,421
Infrastructure	255,103	-	255,103
Total capital assets	<u>518,837</u>	<u>3,746,810</u>	<u>4,265,647</u>
Total Assets	<u>2,820,789</u>	<u>6,328,260</u>	<u>9,149,049</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to OPEB	2,230	956	3,186
Total Assets and Deferred Outflows of Resources	<u>2,823,019</u>	<u>6,329,216</u>	<u>9,152,235</u>

The accompanying notes are an integral part of the financial statements.

<u>LIABILITIES</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts payable	6,792	40,545	47,337
State criminal costs and fees payable	56,617	-	56,617
Accrued interest	-	60,281	60,281
Accrued payroll	17,320	7,526	24,846
Other accrued liabilities	4,826	3,393	8,219
Customer deposits	-	65,785	65,785
Noncurrent liabilities:			
Due within on year:			
Bonds and notes payable	27,211	172,816	200,027
Due in more than one year:			
Bonds and notes payable	39,663	2,320,520	2,360,183
Compensated absences	10,840	3,921	14,761
Net OPEB liability	29,483	12,636	42,119
Total Liabilities	<u>192,752</u>	<u>2,687,423</u>	<u>2,880,175</u>

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to pensions	10,485	4,074	14,559
Unavailable revenues - lease income	10,712	-	10,712
Total Liabilities and Deferred Inflows of Resources	<u>213,949</u>	<u>2,691,497</u>	<u>2,905,446</u>

NET POSITION

Net investment in capital assets	451,963	1,253,474	1,705,437
Restricted for:			
Court technology and building security	71,246	-	71,246
Debt service	-	335,166	335,166
Capital projects	-	58,840	58,840
Customer deposits	-	19,891	19,891
Unrestricted	2,085,861	1,970,348	4,056,209
Total Net Position	<u>\$ 2,609,070</u>	<u>\$ 3,637,719</u>	<u>\$ 6,246,789</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Primary Government:			
Governmental activities:			
General government	\$ 488,717	\$ 2,044	\$ -
Public safety	531,874	733,066	-
Highways and streets	26,547	-	-
Interest on long-term debt	2,129	-	-
Total governmental activities	<u>1,049,267</u>	<u>735,110</u>	<u>-</u>
Business-type activities:			
Water utility	1,533,862	1,785,921	266,300
Total business-type activities	<u>1,533,862</u>	<u>1,785,921</u>	<u>266,300</u>
Total Primary Government	<u><u>\$ 2,583,129</u></u>	<u><u>\$ 2,521,031</u></u>	<u><u>\$ 266,300</u></u>

General Revenues:

Property taxes
Sales and miscellaneous taxes
Franchise taxes
Investment income
Miscellaneous
Total general revenues

Change in net position

Net Position - beginning, as restated

Net Position - ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (486,673)	\$ -	\$ (486,673)
201,192	-	201,192
(26,547)	-	(26,547)
(2,129)	-	(2,129)
<u>(314,157)</u>	<u>-</u>	<u>(314,157)</u>
-	518,359	518,359
<u>-</u>	<u>518,359</u>	<u>518,359</u>
(314,157)	518,359	204,202
357,314	-	357,314
73,187	-	73,187
61,769	-	61,769
14,354	20,652	35,006
20,772	10,738	31,510
<u>527,396</u>	<u>31,390</u>	<u>558,786</u>
213,239	549,749	762,988
<u>2,395,831</u>	<u>3,087,970</u>	<u>5,483,801</u>
<u>\$ 2,609,070</u>	<u>\$ 3,637,719</u>	<u>\$ 6,246,789</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2018**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 759,265
Investments	1,392,272
Taxes receivable, net	4,663
Due from other funds	21,353
Cash and cash equivalents, restricted	<u>71,246</u>
Total Assets	<u><u>\$ 2,248,799</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 6,792
State criminal costs and fees payable	56,617
Accrued payroll	17,320
Other accrued liabilities	<u>4,827</u>
Total Liabilities	85,556
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues - property taxes	4,663
Unavailable revenues - lease income	<u>10,712</u>
Total Deferred Inflows of Resources	15,375
<u>FUND BALANCES</u>	
Fund Balances:	
Restricted for:	
Court technology and building security	71,246
Assigned for:	
P.D. Escrow	27,200
Unassigned	<u>2,049,422</u>
Total Fund Balance	<u>2,147,868</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 2,248,799</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF BRUCEVILLE-EDDY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
September 30, 2018

Total Fund Balance - Governmental Fund (Page 18) **\$ 2,147,868**

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

Net pension asset is not available to pay in the current period and therefore is not reported in the funds.

Net pension asset	<u>\$ 53,154</u>	53,154
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 60,710	
Buildings	115,844	
Equipment	490,892	
Infrastructure	363,885	
Accumulated depreciation	<u>(512,494)</u>	
Total capital assets	<u>\$ 518,837</u>	518,837

Deferred outflows related to OPEB activity are not required to be reported in the funds but are required to be reported at the government-wide level. 2,230

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and notes payable	<u>\$ (66,874)</u>	(66,874)
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Accrued vacation and comp time payable is not due and payable in the current period and therefore is not reported in the funds.

Compensated absences	<u>\$ (10,840)</u>	(10,840)
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Net OPEB liability is not due and payable in the current period and therefore is not reported in the funds.

Net OPEB liability	<u>\$ (29,483)</u>	(29,483)
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Deferred inflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level. (10,485)

Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred inflows of resources in the fund financial statements.

Property taxes not collected	<u>\$ 4,663</u>	<u>4,663</u>
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Net Position of Governmental Activities (Page 15) **\$ 2,609,070**

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended September 30, 2018**

	<u>General Fund</u>
<u>Revenues</u>	
Ad valorem tax	\$ 363,222
Sales tax	73,187
Franchise tax	61,769
Fines and forfeitures	733,066
Licenses and permits	2,044
Interest income	14,354
Lease and miscellaneous income	39,419
	1,287,061
 <u>Expenditures</u>	
Current:	
General government	479,640
Public safety	498,096
Streets	7,876
Debt service:	
Principal	22,590
Interest and fiscal charges	2,129
	1,010,331
 Excess of revenues over expenditures	276,730
 Fund Balance- beginning of year	1,871,138
Fund Balance- end of year	<u>\$ 2,147,868</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018**

Net Change in Fund Balance - Total Governmental Fund (Page 20) \$ 276,730

Amounts reported for governmental activities in the statement of activities (pages 16-17) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 30,731	
Depreciation expense	(87,439)	
	\$ (56,708)	(56,708)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes not collected	\$ 4,663	
Less prior year	(10,571)	
	\$ (5,908)	(5,908)

Some expenses 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.

Increase in compensated absences liability	\$ (3,643)	
	(3,643)	(3,643)

Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB 68.

Contributions made to the pension plan	\$ 11,103	
Pension expenses recognized at government-wide level	(28,902)	
	\$ (17,799)	(17,799)

Certain OPEB expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB 75.

Contributions made to the OPEB plan	\$ 276	
OPEB expenses recognized at government-wide level	(2,299)	
	\$ (2,023)	(2,023)

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but reduces the long-term liability in the statement of activities.

Debt Service - principal	\$ 22,590	22,590
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Change in Net Position of Governmental Activities (Page 17) \$ 213,239

The accompanying notes are an integral part of the financial statements.

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2018

	Business-Type Activities Water Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,978,313
Accounts receivable, net	182,680
Total current assets	2,160,993
Noncurrent assets:	
Cash and cash equivalents, restricted	413,897
Net pension asset	27,913
Capital assets, net	3,746,810
Total assets	6,349,613
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred amounts related to OPEB	956
Total Assets and Deferred Outflows of Resources	6,350,569
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	40,545
Accrued interest	60,281
Accrued payroll	7,526
Accrued liabilities	3,393
Customer deposits	65,785
Due to other funds	21,353
Liabilities payable from restricted assets:	
Bonds and notes payable - current portion	172,816
Total current liabilities	371,699
Noncurrent liabilities:	
Compensated absences	3,921
Net OPEB liability	12,636
Liabilities payable from restricted assets:	
Bonds and notes payable	2,320,520
Total Liabilities	2,708,776

The accompanying notes are an integral part of the financial statements.

	<u>Business-Type Activities Water Fund</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred amounts related to pensions	4,074
Total Liabilities and Deferred Inflows of Resources	<u>2,712,850</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,253,474
Restricted for:	
Debt service	335,166
Capital projects	58,840
Customer deposits	19,891
Unrestricted	<u>1,970,348</u>
Total Net Position	<u><u>\$ 3,637,719</u></u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUND
For the Year Ended September 30, 2018**

	Business-Type Activities Water Fund
<u>Operating Revenues</u>	
Water	\$ 1,606,840
Garbage	123,641
Water tap fees	28,500
Other operating revenues	26,940
Grant - CDBG	266,300
Total Operating Revenues	2,052,221
<u>Operating Expenses</u>	
Water purchases	447,052
Water system utilities	102,187
Water system supplies	62,106
Repairs and maintenance	39,725
Other water system expenses	31,685
Personnel and support	271,852
Professional fees	57,252
Administrative expenses	65,705
Garbage collection fees	106,593
Depreciation and amortization	208,994
Total Operating Expenses	1,393,151
Operating Income	659,070
<u>Nonoperating Revenues (Expenses)</u>	
Interest income	20,652
Interest expense	(120,063)
Donations emergency services income	3,680
Donations emergency services expense	(1,866)
Grant - CDBG	(16,500)
Capital outlay	(2,282)
Miscellaneous income	7,058
Total Nonoperating Revenues (Expenses)	(109,321)
Change in Net Position	549,749
Net Position - beginning, as restated	3,087,970
Net Position - end of year	\$ 3,637,719

The accompanying notes are an integral part of the financial statements.

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CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2018

	Business-Type Activities Water Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 2,052,654
Cash paid to suppliers	(1,051,545)
Cash paid to employees	(208,840)
Net Cash Provided by Operating Activities	792,269
<u>Cash Flows from Non-Capital Financing Activities</u>	
Contribution income	3,680
Contribution expense	(1,866)
Miscellaneous income	7,058
Miscellaneous expense	(18,782)
Net Cash Used by Non-Capital Financing Activities	(9,910)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(550,162)
Payments on long-term bonds	(165,665)
Interest paid	(120,063)
Net Cash Used by Capital and Related Financing Activities	(835,890)
<u>Cash Flows from Investing Activities</u>	
Interest received	20,652
Decrease in restricted cash	138,757
Net Cash Provided by Investing Activities	159,409
Net Increase in Cash and Cash Equivalents	105,878
Cash and Cash Equivalents - beginning of year	1,872,435
Cash and Cash Equivalents - end of year	\$ 1,978,313

The accompanying notes are an integral part of the financial statements.

	<u>Business-Type Activities Water Fund</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 659,070
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	208,994
Increase in accounts receivable	(10,366)
Increase in net pension asset	(27,913)
Decrease in deferred outflows	27,899
Decrease in accounts payable	(74,572)
Decrease in accrued liabilities	(1,656)
Increase in customer deposits	6,155
Decrease in net pension liability	(1,154)
Increase in net OPEB liability	1,738
Increase in deferred inflows	4,074
Total Adjustments	<u>133,199</u>
Net Cash Provided by Operating Activities	<u>\$ 792,269</u>

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NOTES TO FINANCIAL STATEMENTS

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**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Bruceville-Eddy, Texas (the City) was incorporated in 1974 for the purpose of providing public safety, water and sanitation services, planning and general administrative services. The City's present population is approximately 1,490, and it serves approximately 1,890 metered customers.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group (such as building and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure. In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, the City's major governmental fund, is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include programs supported primarily by water revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water payments, police fines, etc. If revenue is not program revenue, it is general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and 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 use 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 the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after period end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

Water Fund - used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability.

Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for financial statements for periods beginning after June 15, 2010, requires governmental fund balances to be reported in one of five classifications, replacing the previous classifications of reserved, unreserved, and designated. These five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balances are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances have constraints imposed either 1) by law through constitutional provisions or enabling legislation or 2) by creditors, grantors, contributors, or laws or regulations of other governments. Committed fund balances represent funds set aside formally by the City Council for specific purposes or by contract. Assigned fund balances are earmarked for specific purposes by the City Council, but are neither restricted nor committed. These balances represent tentative management plans that are subject to change. Unassigned fund balance is the residual classification for the general fund for which the previous classifications do not apply. When different classifications of funds are available for expenditure, the City considers the most restrictive classification amount to have been spent first.

The following is a list of fund balance restrictions used by the City and a description of each:

Fund Balance Restrictions:

Debt Service- Funds restricted for the retirement of general long-term debt.

Court Technology and Building Security- Funds restricted, from specific court fees, for the purchase of goods and services that will benefit the court.

Capital Projects- Funds restricted for use in current and future construction projects.

Customer Deposits- Funds restricted to disbursements for the application to customer account balances or refunds to customer.

E. NEW FINANCIAL REPORTING REQUIREMENTS

GASB Statement No. 75, *Accounting and financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/ expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increase and decrease in the OPEB liability, total OPEB liability, covered payroll, total OPEB liability as a percentage of covered payroll, and notes to required supplementary information.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

F. PRIOR PERIOD ADJUSTMENT

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

	<i>Government- Wide Statement of Activities</i>	<i>Expenses and Changes in Net Position, Proprietary Fund</i>	
	Governmental Activities	Business-type Activities	
Net position at September 30, 2017, as previously reported	\$ 2,421,061	\$ 3,098,783	
Recording of net OPEB liability as of the measurement date December 30, 2016	(25,429)	(10,898)	
Deferral for OPEB contributions made after the measurement date	199	85	
Net position at September 30, 2017, as restated	\$ 2,395,831	\$ 3,087,970	

G. ASSETS, LIABILITIES AND NET POSITION

1. Deposits and Investments

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

2. Receivables

Accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Property taxes receivable for the governmental fund types, which have been remitted within sixty days subsequent to year-end, are considered measurable and available and recognized as revenues. All other property taxes are offset by deferred resources and, accordingly, have not been recorded as revenue.

3. Restricted Assets

Restricted assets are liquid assets that have third party (statutory, bond covenant or granting agency) limitations on their use. Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the Balance Sheet and the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the City before any services were supplied are restricted to the service for which the deposits were collected.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 2,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Category</u>	<u>Life</u>
Buildings and improvements	10-30 years
Machinery and equipment	3-10 years
Water facilities	30 years
Infrastructure	20 years

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are exposed in the period incurred.

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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Net Position

Net Position in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

7. Fund Equity

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 a spendable form (such as inventory) or are required to be maintained intact.

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 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 in the General Fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance, the highest level of action. This is typically done through adoption of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by City Council by passage of a resolution either through adoption or amendment of the budget as intended for specific purposes.

For the classification of Governmental Fund balances, the City considers expenditures to be made from the most restrictive first when more than one classification is available.

8. Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's retirement plans and post-employment obligations are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

9. 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 contribution 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.

10. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of Boxelder's Post Employment Health Insurance Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable, in accordance with the benefit terms. Investments are reported at fair value

H. DEFERRED OUTFLOW AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the City has one item that qualifies for reporting in this category that relates to the City's OPEB plan through TMRS.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has two items that qualify for reporting in this category. They are amounts related to deferred property tax and deferred lease income.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The City adopts its annual budget on a basis consistent with accounting principles generally accepted in the United States of America (GAAP basis) for the General Fund. The Water Fund budget is prepared on a basis (budget basis) which differs from GAAP basis. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund and function. The legal level of budgetary control is the fund level.

1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:
 - a. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
 - b. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
 - c. The budget is legally enacted by the City Council.
 - d. Budget revisions may be made during the period.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City over-expended its budget as follows:

<u>General Fund</u>	
Salaries and wages	\$ 9,513
Payroll taxes and insurance	\$ 1,103
Capital outlay	\$ 8,893
<u>Proprietary Water Fund</u>	
Water system utilities	\$ 2,187
Repairs and maintenance	\$ 8,625
Water system expenses	\$ 16,685
Personnel and support	\$ 6,447
Professional fees	\$ 15,252
Administrative expenses	\$ 3,582
Depreciation	\$ 8,994
Interest expense	\$ 20,063

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Policies Governing Deposits and Investments

1. **Foreign Currency Risk** – The City's deposits and investments are not exposed to foreign currency risk.
2. **Custodial Credit Risk** – The City's policy is to be collateralized. The City was fully collateralized during the period.
3. **Interest Rate Risk** – The City has no debt securities that have interest rate risk.
4. **Other Credit Risk Exposure** – The City does not invest in debt securities.
5. **Concentration Risk** – The City's deposits and investments are exposed to concentration risk in that they are all deposited with the same bank.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Deposits Credit Risk

The cash deposits and savings accounts held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 - Deposits, which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Deposits, which are collateralized with securities, held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the City's cash deposits are classified as Category 1.

Deposits are stated at cost plus accrued interest and the carrying amounts are displayed on the balance sheet as cash and cash equivalents. Following is a summary of the City's deposits, by category:

1. Insured by FDIC	\$	3,543,485
2. Collateralized by pledged securities		1,241,185
3. Uninsured and uncollateralized		-
 Total Bank Balance	 \$	 4,784,670
 Carrying Amount	 \$	 4,614,992

B. RESTRICTED CASH

The City had restricted cash of \$ 413,897 in the Water Fund and \$ 71,246 in the General Fund as of September 30, 2018. The restrictions stem from the need to protect customer utility deposits, to set aside a reserve for the payment of interest and principal on bonded indebtedness, and to set aside monies that are restricted by revenue sources as to use.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

C. RECEIVABLES

Receivables at year-end for the government’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund
Tax receivables	\$ 38,520	\$ -
Less: allowance for uncollectible accounts	(33,857)	-
Tax receivable, net	4,663	-
Accounts receivable	-	226,847
Less: allowance for uncollectible accounts	-	(44,167)
 Total Receivables	 \$ 4,663	 \$ 182,680

D. INTERFUND RECEIVABLES AND PAYABLES

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. The individual interfund receivables and payable balances at September 30, 2018, were:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 21,353	\$ -
Water Fund	-	21,353
 Total All Funds	 \$ 21,353	 \$ 21,353

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

E. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 60,710	\$ -	\$ -	\$ 60,710
Total capital assets, not being depreciated	<u>60,710</u>	<u>-</u>	<u>-</u>	<u>60,710</u>
Capital assets, being depreciated:				
Buildings and improvements	115,844	-	-	115,844
Machinery and equipment	520,001	30,093	(59,202)	490,892
Infrastructure	363,885	-	-	363,885
Total capital assets, being depreciated	<u>999,730</u>	<u>30,093</u>	<u>(59,202)</u>	<u>970,621</u>
Less accumulated depreciation for:				
Buildings and improvements	(77,985)	(3,984)	-	(81,969)
Machinery and equipment	(311,658)	(65,261)	55,176	(321,743)
Infrastructure	(90,588)	(18,194)	-	(108,782)
Total accumulated depreciation	<u>(480,231)</u>	<u>(87,439)</u>	<u>55,176</u>	<u>(512,494)</u>
Total capital assets, being depreciated, net	<u>519,499</u>	<u>(57,346)</u>	<u>(4,026)</u>	<u>458,127</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 580,209</u>	<u>\$ (57,346)</u>	<u>\$ (4,026)</u>	<u>\$ 518,837</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Beginning Balance	Additions	Reclassifications (Deletions)	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 476,262	\$ -	\$ -	\$ 476,262
Construction in progress	153,925	198,500	(25,675)	326,750
Total capital assets, not being depreciated	<u>630,187</u>	<u>198,500</u>	<u>(25,675)</u>	<u>803,012</u>
Capital assets, being depreciated:				
Buildings and improvements	131,738	-	-	131,738
Water facilities	5,324,300	332,269	25,675	5,682,244
Machinery and equipment	682,055	19,394	(16,217)	685,232
Total capital assets, being depreciated	<u>6,138,093</u>	<u>351,663</u>	<u>9,458</u>	<u>6,499,214</u>
Less accumulated depreciation for:				
Buildings and improvements	(125,456)	(3,687)	-	(129,143)
Water facilities	(2,711,564)	(131,749)	-	(2,843,313)
Machinery and equipment	(525,619)	(73,558)	16,217	(582,960)
Total accumulated depreciation	<u>(3,362,639)</u>	<u>(208,994)</u>	<u>16,217</u>	<u>(3,555,416)</u>
Total capital assets, being depreciated, net	<u>2,775,454</u>	<u>142,669</u>	<u>25,675</u>	<u>2,943,798</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 3,405,641</u>	<u>\$ 341,169</u>	<u>\$ -</u>	<u>\$ 3,746,810</u>

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

Governmental Activities:	
General government	\$ 3,984
Public safety	65,261
Highways and streets	18,194
Total Depreciation Expense - Governmental Activities	<u>\$ 87,439</u>
Business-Type activities:	
Water and sewer	\$ 208,994
Total Depreciation Expense - Business-Type Activities	<u>\$ 208,994</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

F. LONG-TERM DEBT

The City's long-term debt at September 30, 2018 is comprised of the following individual issues:

General Government Notes Payable:

\$ 27,919 auto loan with local bank; maturing January 2019; payable \$ 6,823 principal and interest annually; interest at 3.75%, secured by automobile	\$ 7,358
\$ 23,725 equipment loan with company; maturing March 2021; payable \$ 4,518 principal and interest annually; interest at 3.20%, secured by automobile.	12,336
\$ 31,335 auto loan with local bank; maturing February 2021; payable \$ 8,541 principal and interest annually; interest at 4.25%, secured by automobile.	23,590
\$ 31,335 auto loan with local bank; maturing February 2021; payable \$ 8,541 principal and interest annually; interest at 4.25%, secured by automobile.	23,590
	66,874
Total General Government Notes Payable	66,874

Proprietary Water Fund Revenue Refunding Bonds:

\$ 371,000 Series 2011 Certificates of Obligation, maturing September 2025; 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$ 17,000 to \$ 35,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system.	207,000
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Proprietary Water Fund Revenue Bonds:

\$ 731,000 Series 2011 Certificates of Obligation, maturing September 2025; 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$ 33,000 to \$ 70,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system.	417,000
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\$ 1,883,000 Series 2013 Certificates of Obligation, maturing September 2028; interest rates varying from 3.25% to 4.25%; annual principal payments ranging from \$ 79,000 to \$ 254,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	1,462,000
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\$ 395,000 Series 2015 Certificates of Obligation, maturing September 2030; interest rate at 4.25%; annual principal payments ranging from \$ 30,000 to \$ 41,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system.	395,000
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Proprietary Water Fund Notes Payable:

\$ 23,725 equipment loan with company; maturing March 2021; payable \$ 4,518 principal and interest annually; interest at 3.20%, secured by automobile.	12,336
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Total Proprietary Long-Term Debt	2,493,336
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Total Long-Term Debt	\$ 2,560,210
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**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Debt service requirements to maturity for the above long-term debt are as follows:

General Government Notes Payable

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 27,211	\$ 2,327	\$ 29,538
2020	20,660	1,561	22,221
2021	19,003	743	19,746
Total	<u>\$ 66,874</u>	<u>\$ 4,631</u>	<u>\$ 71,505</u>

Water Revenue Refunding Bonds - Series 2011

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 25,000	\$ 12,098	\$ 37,098
2020	26,000	10,689	36,689
2021	28,000	9,165	37,165
2022	29,000	7,520	36,520
2023	31,000	5,816	36,816
2024-2025	68,000	6,062	74,062
Total	<u>\$ 207,000</u>	<u>\$ 51,350</u>	<u>\$ 258,350</u>

Water Revenue Bonds - Series 2011

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 50,000	\$ 24,370	\$ 74,370
2020	53,000	21,554	74,554
2021	56,000	18,448	74,448
2022	59,000	15,158	74,158
2023	63,000	11,691	74,691
2024-2025	136,000	12,124	148,124
Total	<u>\$ 417,000</u>	<u>\$ 103,345</u>	<u>\$ 520,345</u>

Water Revenue Bonds - Series 2013

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 93,000	\$ 59,093	\$ 152,093
2020	96,000	55,990	151,990
2021	99,000	52,238	151,238
2022	104,000	48,525	152,525
2023	109,000	44,625	153,625
2024-2028	961,000	139,092	1,100,092
Total	<u>\$ 1,462,000</u>	<u>\$ 399,563</u>	<u>\$ 1,861,563</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Water Revenue Bonds - Series 2015

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 16,788	\$ 16,788
2020	30,000	16,788	46,788
2021	32,000	15,513	47,513
2022	33,000	14,153	47,153
2023	34,000	12,750	46,750
2024-2028	185,000	41,225	226,225
2029-2030	81,000	5,185	86,185
Total	<u>\$ 395,000</u>	<u>\$ 122,402</u>	<u>\$ 517,402</u>

Water Fund Note Payable

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,816	\$ 325	\$ 5,141
2020	4,973	168	5,141
2021	2,547	23	2,570
Total	<u>\$ 12,336</u>	<u>\$ 516</u>	<u>\$ 12,852</u>

There are a number of limitations and restrictions contained in the various bond indentures including, among others, the requirements of the payment of principal and interest from the ad valorem tax levy or from the net revenues of the water fund and the provision of certain reserve funds. The City is in compliance with all such significant financial limitations and restrictions. There is no specific maximum debt limit established by law for the City, therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt.

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:					
Notes Payable	\$ 94,130	\$ -	\$ (27,256)	\$ 66,874	\$ 27,211
Governmental Activity Long-Term Liabilities	<u>\$ 94,130</u>	<u>\$ -</u>	<u>\$ (27,256)</u>	<u>\$ 66,874</u>	<u>\$ 27,211</u>
Business-Type Activities:					
Revenue Bonds Payable	\$2,642,000	\$ -	\$ (161,000)	\$2,481,000	\$ 168,000
Notes Payable	17,001	-	(4,665)	12,336	4,816
Business-Type Activity Long-Term Liabilities	<u>\$2,659,001</u>	<u>\$ -</u>	<u>\$ (165,665)</u>	<u>\$2,493,336</u>	<u>\$ 172,816</u>
Total Long-Term Liabilities	<u>\$2,753,131</u>	<u>\$ -</u>	<u>\$ (192,921)</u>	<u>\$2,560,210</u>	<u>\$ 200,027</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

G. PROPERTY TAXES

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the District). The District is required under the Property Tax Code to assess all property within the District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the District must be reviewed every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value, net of exemptions, upon which the fiscal year ended September 30, 2018, levy was based was \$ 70,647,170. The tax rate for the 2018 tax roll was \$ 0.5 per \$ 100 of assessed value.

Property taxes not collected in the current period are considered not to be available, and therefore, are not accrued as revenue in the current period. Since the City recognizes taxes as revenues only when collected, an allowance for current and delinquent taxes receivable at the end of the period has been established. On the government-wide statements, the amount deferred in the fund statements is recognized as revenue.

The City has contracted with McLennan County tax collector's office to collect ad valorem taxes on behalf of the City. The City paid the tax collector \$ 3,400 for these services during the fiscal year ended September 30, 2018.

H. EMPLOYEE RETIREMENT PLAN

Plan Description

The City participates as one of 866 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.00%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Retirement eligibility (Age/Service)	60/5, 0/25
Updated service credit	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI Repeating
Supplemental death benefit to active employees	Yes
Supplemental death benefit to retirees	Yes

Employees Covered by Benefit Terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	14
Active employees	18
Total	39

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.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.24% and 5.62% in calendar years 2017 and 2018, respectively. Accordingly, contributions to TMRS for the fiscal year ended September 30, 2018, were \$ 33,936 and were equal to the required contributions.

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2017, and the Total Pension Asset (TPA) 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	2.50% per year
Overall payroll growth	2.70% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality 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 Disabled Retired Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and females rates multiplied by 105% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.90%
Real return	10.0%	3.80%
Real estate	10.0%	4.50%
Absolute return	10.0%	3.75%
Private equity	5.0%	7.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that employees and employer contributions would 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 Asset.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Changes in the Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 1,008,623	\$ 1,004,200	\$ 4,423
Changes for the year:			
Service cost	72,681	-	72,681
Interest	69,034	-	69,034
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(18,354)	-	(18,354)
Changes of assumptions	-	-	-
Contributions - employer	-	30,179	(30,179)
Contributions - employee	-	40,315	(40,315)
Net investment income	-	139,115	(139,115)
Benefit payments, including refunds of employee contributions	(44,461)	(44,461)	-
Administrative expense	-	(721)	721
Other	-	(37)	37
Net changes	78,900	164,390	(85,490)
Balance at 12/31/2017	\$ 1,087,523	\$ 1,168,590	\$ (81,067)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the net pension (asset) 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:

	Current Single Rate		
	1% Decrease	Assumption	1% Increase
	5.75%	6.75%	7.75%
City's net pension (asset) liability	\$ 82,732	\$ (81,067)	\$ (213,922)

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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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

For the year ended September 30, 2018, the City recognized pension expense of \$ 41,289. 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	\$ -	\$ 12,133
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	28,171
Sub-total	-	40,304
Contributions subsequent to the measurement date	-	(25,745)
Total	\$ -	\$ 14,559

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 25,014 will be recognized as a reduction of the net pension liability for the year ending December 31, 2018 (i.e., recognized in the City's financial statement September 30, 2018).

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2018	\$ (1,633)
2019	(3,201)
2020	(17,560)
2021	(17,910)
Total	\$ (40,304)

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

I. SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

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

Benefit Providers

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$ 7,500; this coverage is an “other post-employment benefit,” or OPEB. The City offers supplemental death benefit to both active employees and retirees for plan years 2018 and 2017.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	5	
Inactive employees entitled to but not yet receiving benefits	5	
Active employees	18	
Total	28	

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 and represents 0.16% of required contributions. 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 retiree term life insurance during employees’ entire careers.

The City’s contribution to the TMRS SDBF for the years ended 2018, 2017 and 2016 were \$ 1,022, \$ 954 and \$ 925 respectively, which equaled the required contributions each year.

Net Other Post Employment Benefits Liability

Actuarial Assumptions

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at December 31, 2016	\$ 36,327
Changes for the year:	
Service cost	1,382
Interest on Total OPEB Liability	1,392
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	3,421
Benefit payments, including refunds of employee contributions	(403)
Net changes	5,792
Balance at December 31, 2017	\$ 42,119

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 current 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. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity's Index's "20-Year Municipal GO AA Index".

	1% Decrease	Current	1% Increase
	2.31%	Discount Rate	4.31%
		3.31%	
Total OPEB liability	\$ 50,923	\$ 42,119	\$ 35,413

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2018, the City recognized OPEB expense of \$ 3,284. At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in actual vs assumption	\$ 2,911	\$ -
Contributions subsequent to the measurement date	<u>275</u>	<u>-</u>
Total	<u>\$ 3,186</u>	<u>\$ -</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$ 733 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2018 (i.e., recognized in the City's financial statement August 31, 2019). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Measurement Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2018	\$ 510
2019	510
2020	510
2021	510
2022	510
Thereafter	<u>361</u>
Total	<u>\$ 2,911</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

J. COMMITMENTS AND CONTINGENCIES

Water Purchase Agreement

The City has entered into a long-term agreement to purchase water from a water supply company. The contract requires the City to take and/or pay for a minimum quantity of water. The cost of water per gallon is based each year on the amount the water supply corporation needs to recover all operation and maintenance expenses and debt service of the system (i.e. its annual requirement). The water supply company's net annual requirement divided by all contracting parties' minimum take (annual water purchases in gallons) determines the rate per gallon each year. Based on the estimated annual requirements of the water supply company (estimated \$ 3.20 per thousand gallons) and the minimum take (139,704,000 gallons) for the City; the City is committed to pay an estimated \$ 447,053 for water during the fiscal year ended September 30, 2018, under this contract.

K. TAX ABATEMENTS

During fiscal year 2017, the City entered into a property tax abatement agreement with Eagles' Landing Restaurant & Grill, LLC (the Company). As a part of this agreement, the City agreed to reimburse the Company an amount equal to one hundred percent (100%) of the ad valorem property taxes paid by the Company, assessed by and payable to the City for the property. Such reimbursements are available for each taxable year during the Incentive Period. The Incentive Period is the period of time beginning on Commencement of the agreement, August 15, 2017, and ending on the earlier of (1) the date on which sewer service is available at the location of the Company, or (2) the conclusion of five (5) operational years.

For the years ended September 30, 2018 and 2017, the City abated property taxes totaling \$ 117 and \$ -0-, respectively, in relation to this agreement.

L. 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. The City has joined other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workers' compensation coverage. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing to the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

**CITY OF BRUCEVILLE-EDDY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

M. COMPENSATED ABSENCES

Employees accrue vacation leave based on the number of years employed up to a maximum of 20 days per year. The accrual year starts with the date employee starts full-time and subsequent anniversary dates. Employees may carry over earned vacation past the accrual year with approval of Mayor and Council. However, the accrual is not to exceed forty days beyond the end of the fiscal year. Upon separation from service, employees are paid for any earned and unused vacation time. Vested vacation is recorded in the proprietary fund as a liability and expense and in the government fund as a fund liability and expenditure, if payable from current resources. The value of the earned and unused portion of governmental compensated absences at year-end is reported as a governmental activity non-current liability.

N. SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events through January 21, 2019, the date of the independent auditors' report. No reportable events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – TMRS PENSION PLAN
SEPTEMBER 30, 2018
(UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (c)=(a/b)	Unfunded (Over-funded) AAL (UAAL) (d)=(b-a)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/15	\$ 948,644	\$ 911,587	104.1%	\$ (37,057)	\$ 487,917	-7.6%
12/31/16	\$ 1,022,964	\$ 1,008,623	101.4%	\$ (14,341)	\$ 554,066	-2.6%
12/31/17	\$ 1,117,217	\$ 1,087,523	102.7%	\$ (29,694)	\$ 575,922	-5.2%

See independent auditors' report.

CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
SEPTEMBER 30, 2018
(UNAUDITED)

	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>
Total Pension Liability			
Service cost	\$ 54,818	\$ 59,965	\$ 70,311
Interest (on the total pension liability)	52,962	57,485	62,206
Changes of benefit terms	-	-	-
Difference between expected and actual experience	6,337	(2,980)	14,860
Changes of assumptions	-	28,121	-
Benefit payments, including refunds of employee contributions	(59,705)	(44,461)	(50,341)
Net change in total pension liability	<u>54,412</u>	<u>98,130</u>	<u>97,036</u>
Total pension liability - beginning	<u>759,045</u>	<u>813,457</u>	<u>911,587</u>
Total pension liability - ending (a)	<u><u>\$ 813,457</u></u>	<u><u>\$ 911,587</u></u>	<u><u>\$ 1,008,623</u></u>
 Plan Fiduciary Net Position			
Contributions - employer	\$ 11,011	\$ 22,932	\$ 24,767
Contributions - employee	31,687	34,154	38,785
Net investment income	50,496	1,351	62,762
Benefit payments, including refunds of employee contributions	(59,705)	(44,461)	(50,341)
Administrative expense	(527)	(823)	(708)
Other	(43)	(41)	(38)
Net change in plan fiduciary net position	<u>32,919</u>	<u>13,112</u>	<u>75,227</u>
Plan fiduciary net position - beginning	<u>882,942</u>	<u>915,861</u>	<u>928,973</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 915,861</u></u>	<u><u>\$ 928,973</u></u>	<u><u>\$ 1,004,200</u></u>
City's net pension liability (asset) - ending (a) - (b)	<u><u>\$ (102,404)</u></u>	<u><u>\$ (17,386)</u></u>	<u><u>\$ 4,423</u></u>
 Plan fiduciary net position as a percentage of the total pension liability			
	112.59%	101.91%	99.56%
Covered-employee payroll	\$ 452,668	\$ 487,917	\$ 554,066
City's net pension liability (asset) as a percentage of covered-employee payroll	-22.62%	-3.56%	0.80%

Notes to Schedule:

N/A

* The date of measurement is December 31, 2017, 2016, 2015 and 2014.

See independent auditors' report.

2017*

\$ 72,681
69,034
-
(18,354)
-
(44,461)
78,900
1,008,623
\$1,087,523

\$ 30,179
40,315
139,115
(44,461)
(721)
(37)
164,390
1,004,200
\$1,168,590
\$ (81,067)

107.45%

\$ 575,922

-14.08%

**CITY OF BRUCEVILLE-EDDY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2018
(UNAUDITED)**

	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
Actuarially Determined Contribution	\$ 20,175	\$ 23,518	\$ 27,827	\$ 33,936
Contributions in relation to the actuarially determined contribution	<u>20,175</u>	<u>23,518</u>	<u>27,827</u>	<u>33,936</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 481,101	\$ 520,306	\$ 552,658	\$ 628,394
Contributions as a percentage of covered employee payroll	4.19%	4.52%	5.04%	5.40%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
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 mail rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes Adopted restricted prior service credit.

* The date of measurement is December 31, 2017, 2016, 2015 and 2014.

**CITY OF BRUCEVILLE-EDDY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

	2017*
Total OPEB Liability	
Service cost	\$ 1,382
Interest (on the total OPEB liability)	1,392
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	3,421
Benefit payments, including refunds of employee contributions	(403)
Net Change in Total OPEB Liability	5,792
Total OPEB Liability - Beginning	36,327
Total OPEB Liability - Ending (a)	\$ 42,119
Covered Employee Payroll	\$ 575,922
Net OPEB Liability as a Percentage of Covered Employee Payroll	7.31%

Notes to Schedule:

This schedule is intended to present information for ten years. However, previous years' information is not available.

* The date of measurement is December 31, 2017.

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2018
with Comparative Totals for the Year Ended September 30, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 354,589	\$ 354,589	\$ 363,222	\$ 8,633	\$ 324,820
Sales and miscellaneous taxes	66,000	66,000	73,187	7,187	73,998
Franchise taxes	60,000	60,000	61,769	1,769	59,962
Fines and forfeitures	680,500	680,500	733,066	52,566	768,364
Licenses and permits	3,000	3,000	2,044	(956)	2,630
Interest income	100	100	14,354	14,254	7,079
Lease and miscellaneous income	26,158	26,158	39,419	13,261	36,267
Total Revenues	1,190,347	1,190,347	1,287,061	96,714	1,273,120
Expenditures					
General government:					
Salaries & wages	250,125	250,125	259,638	(9,513)	221,737
Payroll taxes and insurance	66,200	66,200	67,303	(1,103)	53,640
Administrative costs	113,372	100,872	77,145	23,727	53,330
Utilities	19,800	19,800	17,980	1,820	18,776
Legal and accounting	55,500	55,500	33,815	21,685	40,457
Repairs and maintenance	27,950	32,450	23,759	8,691	17,286
Public safety:					
Salaries & wages	243,000	243,000	232,477	10,523	215,925
Payroll taxes and insurance	65,600	65,600	55,676	9,924	51,138
Operating costs	189,600	189,600	162,079	27,521	196,186
Equipment	95,000	95,000	6,874	88,126	13,436
Repairs and maintenance	11,000	11,000	6,897	4,103	10,185
Highways and streets:					
Streets	10,000	10,000	7,876	2,124	64,976
Capital outlay:					
Fixed asset expenditures	17,200	25,200	34,093	(8,893)	18,107
Debt service:					
Principal	23,000	23,000	22,590	410	40,173
Interest	3,000	3,000	2,129	871	2,048
Total Expenditures	1,190,347	1,190,347	1,010,331	180,016	1,017,400
Excess of revenues over expenditures	-	-	276,730	276,730	255,720
Fund Balance - beginning of year	1,871,138	1,871,138	1,871,138	-	1,615,418
Fund Balance - end of year	<u>\$1,871,138</u>	<u>\$1,871,138</u>	<u>\$2,147,868</u>	<u>\$ 276,730</u>	<u>\$1,871,138</u>

See independent auditors' report.

CITY OF BRUCEVILLE-EDDY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL – PROPRIETARY FUND
For the Year Ended September 30, 2018
with Comparative Totals for the Year Ended September 30, 2017

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<u>Operating Revenues</u>					
Water	\$ 1,525,000	\$ 1,525,000	\$ 1,606,840	\$ 81,840	\$ 1,391,452
Garbage	118,000	118,000	123,641	5,641	120,598
Water tap fees	20,000	20,000	28,500	8,500	9,250
Re-connect fees	33,500	33,500	26,940	(6,560)	31,359
Grant - CDBG	-	-	266,300	266,300	33,700
Total Operating Revenues	1,696,500	1,696,500	2,052,221	355,721	1,586,359
<u>Operating Expenses</u>					
Water purchases	448,000	448,000	447,052	948	468,000
Water system utilities	100,000	100,000	102,187	(2,187)	108,567
Water system supplies	67,175	71,175	62,106	9,069	56,950
Repairs and maintenance	31,100	31,100	39,725	(8,625)	33,685
Other water system expenses	15,000	15,000	31,685	(16,685)	47,694
Personnel and support	259,000	259,000	271,852	(12,852)	246,573
Professional fees	42,000	42,000	57,252	(15,252)	25,260
Administrative expenses	70,225	70,225	65,705	4,520	58,682
Garbage collection fees	114,000	114,000	106,593	7,407	112,667
Depreciation and amortization	200,000	200,000	208,994	(8,994)	198,233
Total Operating Expenses	1,346,500	1,350,500	1,393,151	(42,651)	1,356,311
Operating Income	350,000	346,000	659,070	313,070	230,048
<u>Nonoperating Revenues (Expenses)</u>					
Interest income	6,000	6,000	20,652	14,652	11,999
Interest expense	(100,000)	(100,000)	(120,063)	(20,063)	(127,952)
Donations emergency service					
Income	2,000	2,000	3,680	1,680	3,723
Expense	(1,500)	(1,500)	(1,866)	(366)	(1,880)
Grant - CDBG	(5,000)	(5,000)	(16,500)	(11,500)	(17,780)
Capital outlay	(257,500)	(253,500)	(2,282)	251,218	(18,240)
Miscellaneous income	6,000	6,000	7,058	1,058	6,130
Total Nonoperating Revenues (Expenses)	(350,000)	(346,000)	(109,321)	236,679	(144,000)
Change in net position	-	-	549,749	549,749	86,048
Net Position - beginning, restated	3,087,970	3,087,970	3,087,970	-	3,001,922
Net Position - ending, restated	\$ 3,087,970	\$ 3,087,970	\$ 3,637,719	\$ 549,749	\$ 3,087,970

See independent auditors' report.

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INDIVIDUAL FUND FINANCIAL STATEMENTS

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**CITY OF BRUCEVILLE-EDDY, TEXAS
COMPARATIVE BALANCE SHEETS – GENERAL FUND
September 30, 2018 and 2017**

	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 759,265	\$ 541,231
Investments	1,392,272	1,377,917
Taxes receivable, net	4,663	10,572
Due from other funds	21,353	21,353
Cash and cash equivalents, restricted	71,246	60,274
 Total Assets	 \$ 2,248,799	 \$ 2,011,347
<u>LIABILITIES</u>		
Accounts payable	\$ 6,792	\$ 32,759
State criminal costs and fees payable	56,617	66,792
Accrued payroll	17,320	17,427
Other accrued expenses	4,827	1,948
 Total Liabilities	 85,556	 118,926
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenues - property tax	4,663	10,571
Unavailable revenues - lease income	10,712	10,712
 Total Deferred Inflows of Resources	 15,375	 21,283
<u>FUND BALANCES</u>		
Restricted for:		
Court technology and building security	71,246	60,274
Assigned for:		
P.D. vehicle escrow	27,200	22,000
Unassigned	2,049,422	1,788,864
 Total Fund Balances	 2,147,868	 1,871,138
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 2,248,799	 \$ 2,011,347

See independent auditors' report.

CITY OF BRUCEVILLE-EDDY, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION – PROPRIETARY FUND
September 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 1,978,313	\$ 1,872,435
Accounts receivable, net	182,680	172,314
Total current assets	<u>2,160,993</u>	<u>2,044,749</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	335,166	371,261
Certificate of deposits	58,840	118,002
Customer deposits	19,891	63,391
Net pension asset	27,913	-
Capital assets:		
Land	476,262	476,262
Construction in progress	326,750	153,925
Buildings and improvements	131,738	131,738
Water facilities	5,682,244	5,324,300
Machinery and equipment	685,232	682,055
Less: accumulated depreciation	<u>(3,555,416)</u>	<u>(3,362,638)</u>
Total capital assets	<u>3,746,810</u>	<u>3,405,642</u>
Total Assets	<u>6,349,613</u>	<u>6,003,045</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred amounts related to pensions	-	28,770
Deferred amounts related to OPEB	956	85
	<u>6,350,569</u>	<u>6,031,900</u>

See independent auditors' report.

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	40,545	115,117
Accrued interest	60,281	63,760
Accrued payroll	7,526	7,239
Other accrued liabilities	3,393	3,618
Customer deposits	65,785	59,630
Due to other funds	21,353	21,353
Liabilities payable from restricted assets:		
Bonds and notes payable - current portion	172,816	165,665
Total current liabilities	<u>371,699</u>	<u>436,382</u>
Noncurrent liabilities:		
Compensated absences	3,921	2,160
Net pension liability	-	1,154
Net OPEB liability	12,636	10,898
Liabilities payable from restricted assets:		
Bonds and notes payable	2,320,520	2,493,336
Total Liabilities	<u>2,708,776</u>	<u>2,943,930</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred amounts related to pensions	<u>4,074</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	2,712,850	2,943,930
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	1,253,474	746,641
Restricted for:		
Debt service	335,166	371,261
Capital projects	58,840	118,002
Customer deposits	19,891	63,391
Unrestricted	1,970,348	1,788,675
Total Net Position, as restated	<u><u>\$ 3,637,719</u></u>	<u><u>\$ 3,087,970</u></u>

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

Honorable Mayor and
Members of the City Council
City of Bruceville-Eddy, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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 January 21, 2019.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

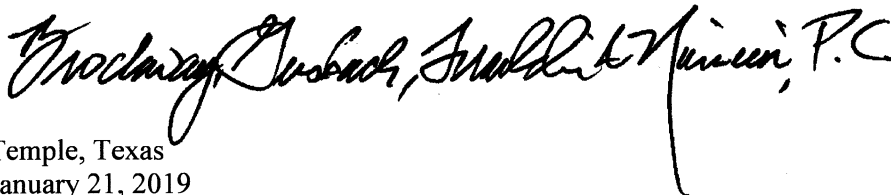
**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Temple, Texas
January 21, 2019