

Minutes
Regular Council Meeting
March 21, 2017

On this 21st day of March 2017, at 6:00 p.m., the City Council of the City of Devine convened in a Regular Meeting; the same being opened to the public at their regular meeting place; thereof, at City Hall, 303 S. Teel Drive, Devine, Texas. Notice of said Meeting having been prescribed in Chapter 551, Government Code, and Vernon's Texas Codes, Annotated, and the following members being present:

Mayor William L. Herring
Alderman Hal Lance
Alderwoman Kathy Wilkins
Alderman Steve A. Lopez
Alderman David Valdez

Absent being Alderman David Espinosa; thus, constituting a quorum.

Personnel present: Dora V. Rodriguez, Interim City Administrator/City Secretary; Denise Duffy, City Accountant; Tom Cate, City Attorney; Ismael Carrillo, Director of Public Works; Mary Badillo, City Financial Advisor; and Ofilia Pedroza, UB Clerk.

Others present: Marly Davis, Devine News; Steven Santana, Medina Valley Times; Suellen Jordan and Gayla Allen of Langford Community Management Services, Chris Schuchart, Medina County Judge; Stephen Horton – Coleman, Horton and Company LLP, Uvalde, TX; Charles Seay, Parker, CO; Hank Seay, Charles O. West, Kevin Hicks, and Sonia J. Lance, of Devine, Texas.

Mayor Herring presiding, called the meeting to order. He also delivered the Invocation and led the Pledge of Allegiance.

The first order of business was the Visitor/Citizens Forum.

No one signed up to speak under this item.

The second order of business was Recognition.

There was no recognition at this time.

The third order of business was to discuss and consider for Council to excuse Alderman David Espinosa from council meetings due to his medical condition.

Council held brief discussion with City Attorney Tom Cate.

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Motion by Alderman Lopez, seconded by Alderman Lance to approve excusing Alderman David Espinosa from council meetings due to his medical condition.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The fourth order of business was a Presentation on Go Medina by County Judge Chris Schuchart.

Judge Schuchart gave Council a brief history of Go Medina, a 501C corporation, which has been formed to promote Economic Development in Medina County. He spoke of hiring a multi-media company that has created a website that will allow us to do across-the-country economic development and get exposure to other places. He spoke of Microsoft getting ready to build in Medina County and Bexar County, right on the line (27 acres of buildings). One-fourth of the buildings will be in Medina County, which represents approximately \$500 Million worth of assets which is about \$1.5 Million worth of taxes; Bexar County is trying to attract jobs, Medina County is trying to attract the assets. The membership fee for each city is \$1.00 for each citizen. Dues are not due until October 1, 2017 because most cities have not done their budgets yet. According to Judge Schuchart, this just needs to be approved for now. He said the cities of Hondo, Castroville and Natalia have already joined. Judge Schuchart concluded by saying that he just wants good business development to come into Medina County and said that if we don't grow as a county, we don't make any headway doing anything.

The fifth order of business was to discuss and consider Approval of Minutes: Regular Council Meeting Minutes, February 21, 2017; and Special Meeting Minutes, March 9, 2017.

Council reviewed minutes.

Motion by Alderwoman Kathy Wilkins, seconded by Alderman David Valdez to approve minutes for Regular Council Meeting Minutes, February 21, 2017; and Special Meeting Minutes, March 9, 2017.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The sixth order of business was to discuss and consider Trends by Financial Advisor.

City Financial Advisor Mary Badillo addressed City Council and briefly went over the following highlights of each page of the Trends:

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- Page 1 – General Fund Revenue vs. Operating Expenses
- Page 2 – General Fund Operating Income
- Page 3 – General Fund Revenue Comparison
- Page 4 – General Fund Revenue by Source
- Page 5 – Property Tax Assessed Valuation
- Page 6 – Trend in Sales Tax Revenue
- Page 7 – Trend in Franchise Tax Revenue
- Page 8 – Trend in Municipal Court Revenue
- Pages 9 & 10 – General Fund Operating Expenses
- Page 11 – Water Sewer Fund Revenue vs. Operating Expenses
- Page 12 – Five Year Summary of operating results

Motion by Alderman Valdez, seconded by Alderman Lopez to accept the Trends as presented by Financial Advisor, Mary Badillo.

Trends attached as Exhibit A.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The seventh order of business was to discuss and consider Audit Report/Management Letter by the Auditor.

Mr. Stephen Horton told Council that it's always a pleasure to come work for the City of Devine. He thanked the assistance of our city staff, especially Dora V. Rodriguez, Interim City Administrator/City Secretary; Denise Duffy, City Accountant; and Mary Badillo, City Financial Advisor for all the preparation they go through before they get here. He told Council that the City is lucky to have them.

Mr. Stephen Horton addressed Council and went over the Management Letter and discussed the Audit Report in detail for FY 2015 – FY 2016. He gave the City of Devine another A+ rating. Following are some of the highlights that he went over with Council:

- Pages 2-5 – Auditor's Opinion Letter. Mr. Horton, told Council that the bottom line is that in their opinion, the chief financial statements they have examined are a fair representation of the financial condition of the City and all compliance requirements have been met. He gave the City of Devine another clean opinion, which is the highest rating we can receive.

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- Pages 5-12 – Management’s Discussion and Analysis. This is an overview of the basic financial statements; a narrative and brief financial number presentation, comparing numbers from FY 2016 to FY 2015.
- Page 13 (Exhibit A-1) – Basic Financial Statements. Mr. Horton went over the Statement of Net Position. He told Council the City is in a very healthy net position at \$7.2 Million, of which \$1.7 Million is in General Fund and over \$5 Million is in the Water/Sewer Funds.
- Page 18 (Exhibit C-3) – Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. He said this is on the governmental funds which excludes utilities. The total fund balance for FY Ending September 30, 2016 is a little over \$2 Million for the Governmental Funds.
- Page 21 – Water and Sewer Funds. Total Revenues are a little over \$1.7 Million and Expenditures are at \$2.1 Million. Mr. Horton explained that included in Expenditures is Depreciation of \$454,000 which is a non-cash expense, but it’s a recognition of the City’s equipment and other fixed assets that are utilized in Water & Sewer that are wearing out; over time, these items will need to be replaced. Our net change is -\$298,000. He told Council to keep in mind that \$454,000 of that is depreciation expense. In cash flow terms, we didn’t lose any money, but we are wearing out this equipment and over time, these items will need to be replaced.
- Pages 23-40 – Rest of the Financial Statements and required detailed disclosures to support all the information up front.
- Page 41 (Exhibit E-1) – Budget and Actual General Fund. This is a supplemental schedule for the audit; this is where the Auditors look at the original adopted budget at the beginning of the year and then look at the final budget numbers, after amendments have been done.

Motion by Alderman Lopez, seconded by Alderman Lance to accept the Audit Report/Management Letter, by our Auditor.

Audit Report/Management Letter attached as Exhibit B.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The eighth order of business was to discuss and consider accepting Contract with Coleman, Horton & Company, LLP for September 30, 2017 Audit.

Mr. Stephen Horton told Council that they will be happy to be available for assistance throughout the year and encouraged any communication and questions that the staff may have.

Motion by Alderwoman Wilkins, seconded by Alderman Valdez to accept the Contract with Coleman, Horton & Company, LLP for September 30, 2017 Audit.

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Contract attached as Exhibit C.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The ninth order of business was to discuss and consider adopting a Resolution of the City of Devine, Texas, appointing the City Administrator as the Chief Executive Officer and authorized representative to act in all matters in connection with the FEMA Mitigation Project and committing the City to provide matching funds to secure and complete the FEMA Mitigation Grant contingent upon receipt of CDBG Funds.

Interim City Administrator/City Secretary Dora V. Rodriguez informed Council that this is for a drainage improvement project on Burnt Book Creek.

Suellen Jordan, of Langford Community Management Services, from Austin, Texas, addressed Council, and introduced Gayla Allen who is new to the firm, and was here to learn and find out what we are doing. Ms. Jordan informed Council why she was putting this back on the agenda. She said they have already submitted the application for Burnt Boot Creek, Phase I and Phase II; that was done in December 2016. She explained to Council that FEMA and the Texas Department of Emergency Management have not gotten to these projects yet and there is another large grant application due July 31, 2017 for Disaster 4272. She explained that they do not want the City of Devine's applications to not get another opportunity to be reviewed. She said they think that Phase I is going to be funded; they've already had an initial review on it but it hasn't made it to FEMA. However, TDEM has done their first initial review on Phase I; no comments came back from Phase II. She told Council that they would really like to put that application back in for the Phase II project so we can have a better chance of having them both funded. She explained that because the declaration was after we signed the resolution for the first application, we do have to go back out for procurement again. She said it's kind of a pain, but they're asking us to go out for proposals again. Ms. Jordan explained that if it comes down to Langford Community Management Services and Garcia & Wright Consulting Engineers being hired again, Langford is not going to charge to resubmit those applications because they already have them.

Ms. Jordan stated that she just wanted the City to understand why they are doing this; she just doesn't want the City to miss out on another funding opportunity and, she added, this one is very large on the amounts available.

Motion by Alderman David Valdez, seconded by Alderman Lopez to adopt Resolution 3-17, appointing the City Administrator as the Chief Executive Officer and authorized representative to act in all matters in connection with the FEMA Mitigation Project and committing the City to provide matching funds to secure and complete the FEMA Mitigation Grant contingent upon receipt of CDBG Funds.

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Resolution attached as Exhibit D.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The tenth order of business to go back to the Visitors/Citizens Forum.

Mayor Herring announced he wanted to allow Hank and Charlie Seay a chance to speak since they had just walked in and asked them to come up to the podium.

Council heard from Mr. Hank Seay who stated that he wants to run a barbeque business out of a portable food truck on East SH-173, across from Walmart. He understands that this area is not zoned for commercial business and that he has to wait to do business there. He stated that his concern is having to wait until the re-zoning process is complete which may take some time, and asked Council if there was any way he could be granted a variance for a temporary permit to allow him to park his trailer and do business there, since he has already leased the property. He told Council that he is aware of other businesses that are not in a commercial zone and are doing business. He said he doesn't want to cause any problems but just feels that he is being singled out.

The eleventh order of business was to discuss and consider request from Connie Graham for property to be annexed into Devine city limits with property having a legal description of R89706, San Antonio Trust, Block 33, Lot 64 (pt. of), Acres 2.0.

Alderman Lance informed Council that this was in his district and he had no problem with it.

Motion by Alderman Lance, seconded by Alderman Lopez to approve the request from Connie Graham for property to be annexed into Devine city limits with property having a legal description of R89706, San Antonio Trust, Block 33, Lot 64 (pt. of), Acres 2.0.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

City Attorney Tom Cate held some discussion after the motion. He asked Connie if she was selling the property.

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According to Connie Graham, she lost a sale because she was told she could not have city utilities, and the people did not want to go through the expense of a septic tank. She told Council and City

Attorney Tom Cate that she only wants the property annexed for the sale of the property in order to get city utilities.

City Attorney Tom Cate stated that the reason this item is on the agenda tonight is so Connie will understand what we're talking about and the general feeling of the Council. He said the law still requires us to go through the proper procedures to get it annexed, and there is a lot involved in the annexation process; this is just the first step, and we need to do it right. He told Connie that she will need to sign a petition requesting the Council to formally get this going. Ms. Graham stated that she is asking for Council to do this, so it is a voluntary annexation.

City Attorney Tom Cate informed Council that the property owners in that area, including Connie, were asked if they wanted to be annexed and the answer from everyone was, "no;" they are already getting water from the City. But, according to Mr. Cate, as long as we are going to go through the annexation process, we wanted to give them the opportunity to do that.

Discussion was held on the time frame; according to City Attorney Tom Cate, he thinks it will be pretty quick. He stated that we will need to have two Public Hearings, and we want to do it as quickly as we can.

City Attorney Tom Cate stated that we've got to get the petition to get started on it, and we've got to get a service plan in effect. He said we've got to give notice to some other government entities; there's a long list of things we have to do. He said the main thing is put Connie at ease.

The twelfth order of business was to discuss and consider for Council to take action on the two oak trees that were cut down on the City's 9-hole property at the Golf Course.

No one was present to represent the Golf Course. Ms. Connie Graham addressed Council regarding the two oak trees that were cut down without permission. She informed Council what she knew but stated that she doesn't know why they did it. She told Council that the Golf Course Board was very upset when they found out about it.

Interim City Administrator/City Secretary Dora V. Rodriguez informed Council that she spoke with Blake Caesar, who is the President of the Golf Association Board, and according to his understanding, they were supposed to be just trimming the trees and they messed up; it got out of hand.

City Attorney Tom Cate told Council that we need to get to the root of the problem. He said he preferred that someone from the Golf Association would've shown up to be able to discuss it with them, and said that we need to demand a meeting with them to find out why this happened. He said there are tenants out there on the first nine acres.

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Mayor Herring stated that we can contact Blake Caesar to ask him to come to a meeting to find out the root of the problem.

Motion by Alderman Lance, seconded by Alderman Valdez to postpone any action on the two oak trees that were cut down on the City's 9-hole property at the Golf Course until we've had a meeting with the Golf Course Association.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The thirteenth order of business was to discuss and consider approving the Driscoll Public Library Long Range Plan 2017-2021.

Council reviewed the Plan.

City Attorney Tom Cate informed Council that he had reviewed the policy and said that he did not have a problem with it as long as the policy is accomplished within the framework of our policies and procedures in existence that we have with the City.

Interim City Administrator/City Secretary Dora V. Rodriguez informed Council that Barbara, Head Librarian, had removed the wording from the Long Range Plan about having Wi-Fi outside; she said there is Wi-Fi available, but only inside the library, not on the outside.

Motion by Alderman Valdez, seconded by Alderman Lance to approve the Driscoll Public Library Long Range Plan 2017-2021.

Driscoll Public Library Long Range Plan 2017-2021 attached as Exhibit E.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The fourteenth order of business was to discuss and consider for Council to authorize publishing an asbestos article in the newspaper.

Interim City Administrator/City Secretary Dora V. Rodriguez addressed Council and informed them that she and Director of Public Works Ismael Carrillo spoke to someone from TCEQ. She explained that at first they didn't want us to publish anything because they don't want us to stray away from sending out the handouts that they require us to give to everyone but she convinced

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them that we only want to state the facts, being that the water is safe to drink as stated in the handout. She told them that in the fourth quarter of 2016, the reads came back normal, and ever since we started going behind them taking samples, our lab reads for the first quarter of 2017 has also come back as normal.

A second person from TCEQ informed Interim City Administrator/City Secretary Dora V. Rodriguez that as long as we state the facts, and nothing but the facts, we are fine with publishing something in the newspaper. She told Council that TCEQ feared we would be dragging them into this if we do the article, but she told them that they are already involved.

City Attorney Tom Cate advised that it is alright for us to publish that we are applying for a grant to replace the water lines and held discussion on other things that we are allowed to publish. He added that we need to let the public know that we consider this to be a serious issue for us and for the citizens, and that we are doing everything we can to correct the problem. He said we also need to inform them that the City is looking into applying for a \$7 Million grant to replace all of our asbestos, concrete and steel water lines.

Interim City Administrator/City Secretary Dora V. Rodriguez added that TCEQ does want to help us and they don't want to leave us out there by ourselves with this violation, so they are going to be emailing her some information. She added that we are not contesting the violation and said that she let TCEQ know that she and Director of Public Works Director Ismael Carrillo will be contacting them to help us fill out the form so that we can issue their check for \$699 which Council approved to pay TCEQ for the violation received in July.

Motion by Alderwoman Wilkins, seconded by Alderman Valdez to authorize the City to publish an asbestos article in the newspaper.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The fifteenth order of business was to discuss and consider accepting Certification of Unopposed Candidates. *(El decimoquinto orden de negocio fue discutir y considerar aceptar el Certificado de los Candidatos Sin Oposición.)*

Motion by Alderman Lopez, seconded by Alderman Lance to accept the Certification of Unopposed Candidates. *(Mociónado por el Concejal Lopez, segundado por el Concejal Lance para aceptar el Certificado de los Candidatos Sin Oposición.)*

Certification of Unopposed Candidates attached as Exhibit F. *(Certificado de los Candidatos Sin Oposición adherido Exhibición F.)*

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Ayes (<i>Voto a favor</i>)	--	Four (<i>Cuatro</i>)
Nays (<i>Voto en contra</i>)	--	None (<i>Ninguno</i>)
Absent (<i>Ausente</i>)	--	One (<i>Uno</i>) – Alderman Espinosa (<i>el Concejal Espinosa</i>)

Motion carried (*Moción aprobado*)

The sixteenth order of business was to discuss and consider ordering Cancellation of Election for Mayor's race, and Alderman District #2. (*El decimosexto orden de negocio fue discutir y considerar ordenar la Cancelación de Elección para las carreras electorales del Alcalde y el Concejal Distrito #2.*)

Motion by Alderwoman Wilkins, seconded by Alderman Valdez to order the Cancellation of Election for the Mayor's race, and Alderman District #2. (*Mociónado por la Concejal Wilkins, segundado por el Concejal Valdez para ordenar la Cancelación de Elección para las carreras electorales del Alcalde y el Concejal Distrito #2.*)

Cancellation of Election attached as Exhibit G. (*La Cancelación de Elección adherida Exhibición G.*)

Ayes (<i>Voto a favor</i>)	--	Four (<i>Cuatro</i>)
Nays (<i>Voto en contra</i>)	--	None (<i>Ninguno</i>)
Absent (<i>Ausente</i>)	--	One (<i>Uno</i>) – Alderman Espinosa (<i>el Concejal Espinosa</i>)

Motion carried (*Moción aprobado*)

The seventeenth order of business was to discuss and consider accepting quotes for re-doing the sidewalk in front of 210 S. Bright Drive and for installing handicap ramp on the corner of E. College Avenue and S. Bright Drive.

Mayor Herring informed Council that the sidewalk is for the old Dr. Wood's building next to The Devine News, and the handicap ramp is for the rehab place, Dynamics Physical Therapy.

Director of Public Works Ismael Carrillo held discussion with Council on a handicap device that is needed for the ramp, per City Engineer Raul Garcia, and the added cost is \$233.95.

The three bids received were from South Texas Rangel Foundations for \$6,500, Maldonado Construction for \$6,000, and \$6,850 from Camacho Concrete Construction.

Director of Public Works explained to Council that the sidewalk area would be from directly in front of the old Dr. Wood's building (next to The Devine News) down to the entryway of the back of the old County building, which is 85 feet of sidewalk. He explained that all the bids are for both the sidewalk and for the installation of the handicap ramp at the rehab place. According to Mr. Carrillo, all of these construction workers are qualified to do the job. Council discussed going with the lowest bid.

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Motion by Alderman Valdez, seconded by Alderman Lance to award both projects to Maldonado Construction (Richard S. Maldonado) for the sum of \$6,000 plus the extra \$233.95 for the ramp for a total of \$6,233.95.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.

The eighteenth order of business was Informational Items.

The following was discussed:

- VFW – Alderman Lopez announced they are going to have a banquet but won't know the date until Monday.
- Devine Little League – Mayor Herring announced that the grand opening is coming up soon.
- Hondo Public Library – Mayor Herring announced they will be having their grand opening on March 31, 2017.

The nineteenth order of business was Executive Session: Pursuant to Provision of the Open Meeting Law Texas Government Code.

- §551.074 Personnel Matters – Hiring a full-time Financial Advisor.

At 7:18 p.m., Mayor Herring announced to the public that the Council would go into a Closed Session.

At 7:48 p.m., Closed Session was open to the public.

No action was taken in Closed Session.

The twentieth order of business was to RECONVENE into Regular Session and consider action, if any, on item(s) discussed in executive session.

Motion by Alderman Lopez, seconded by Alderman Valdez to tender an offer to Mary Badillo to be our full time Financial Advisor for the sum of \$95,000 a year, and to waive the 60 day waiting period to be on insurance, and to give her a credit of five years in terms of longevity for the five years she worked as our part-time Financial Advisor, and to also waive the six month waiting period as to when she can take Annual Leave.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

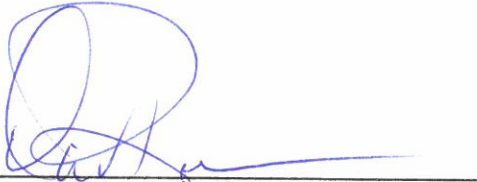
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Motion carried.

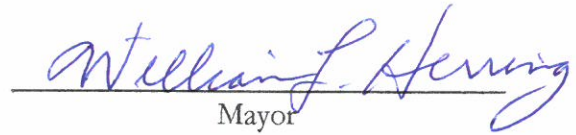
There being no further business to come before the governing body, motion made by Alderman Lance, seconded by Alderman Lopez to adjourn the meeting.

Ayes	--	Four
Nays	--	None
Absent	--	One – Alderman Espinosa

Motion carried.



City Secretary

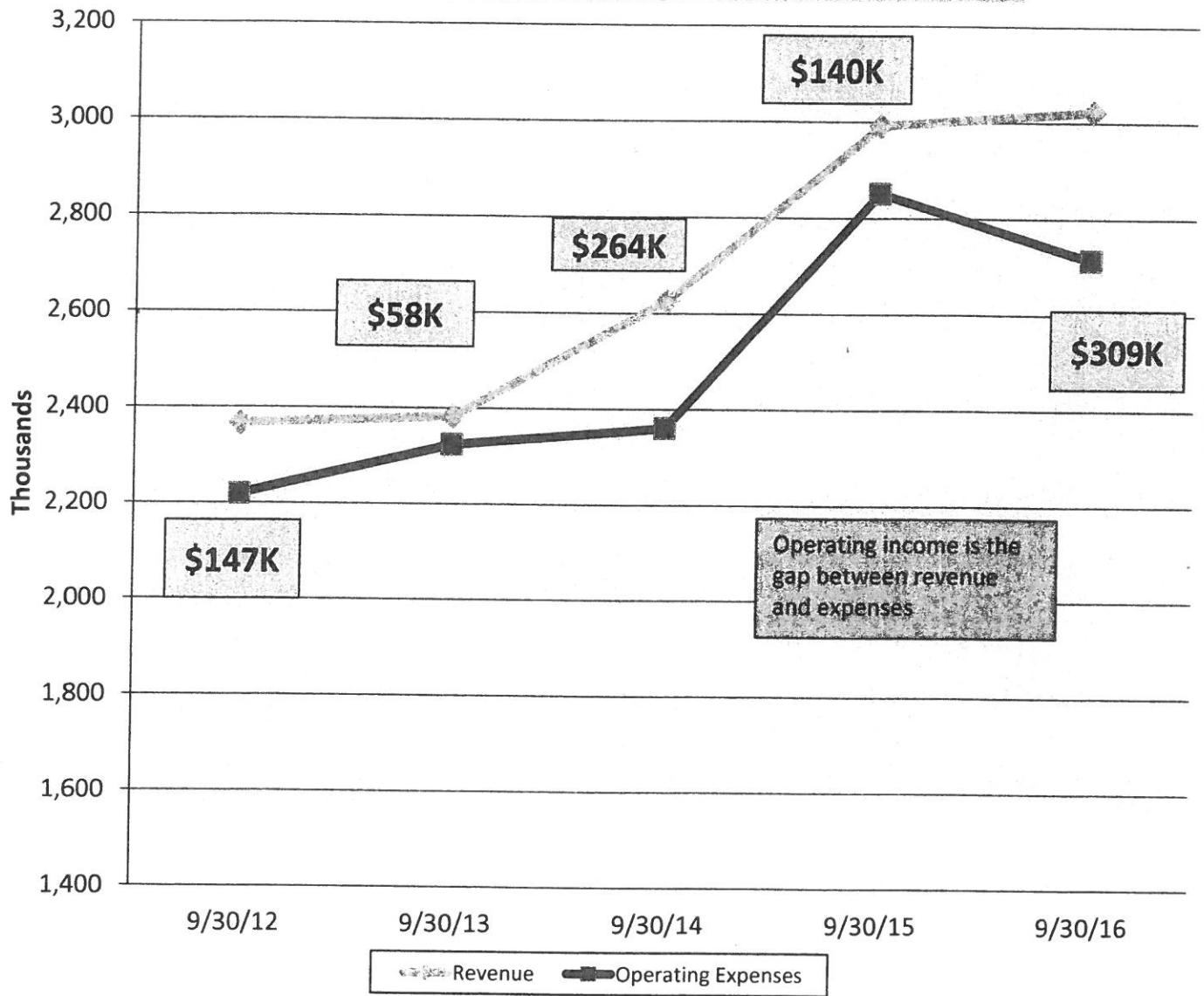


Mayor

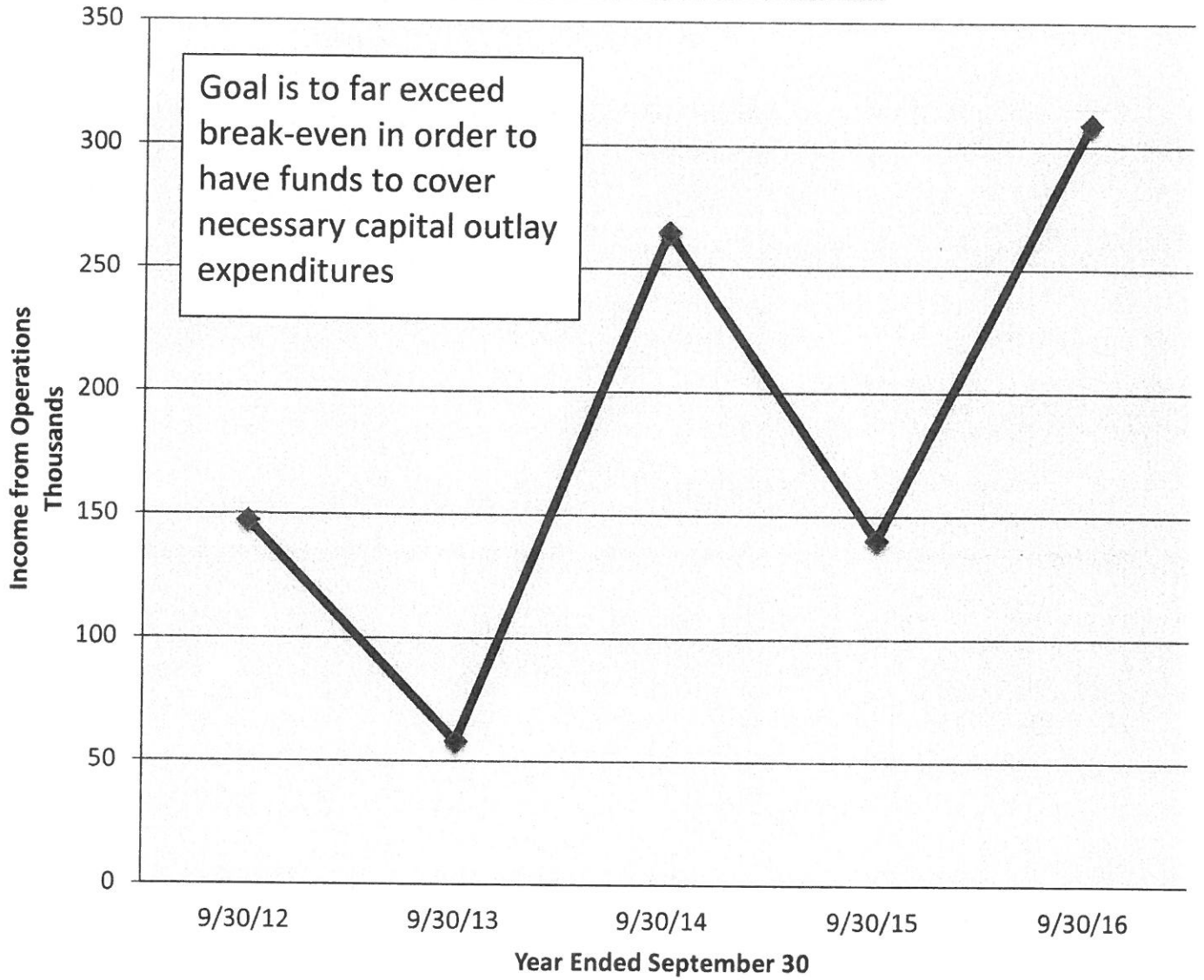
EXHIBIT A

CITY OF DEVINE
FINANCIAL TRENDS
September 30, 2016

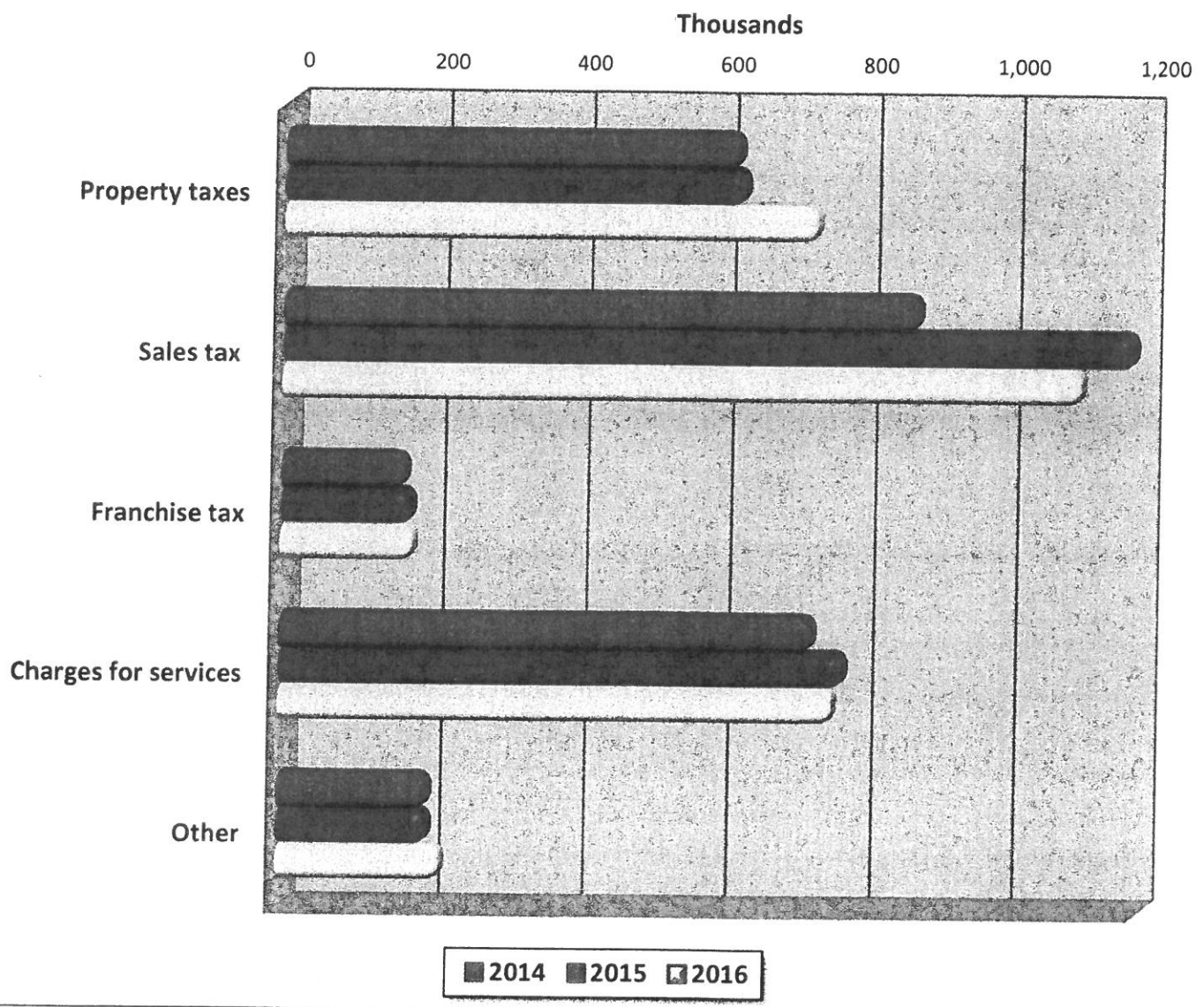
City of Devine, Texas General Fund Revenue vs. Operating Expenses



City of Devine, Texas General Fund Operating Income

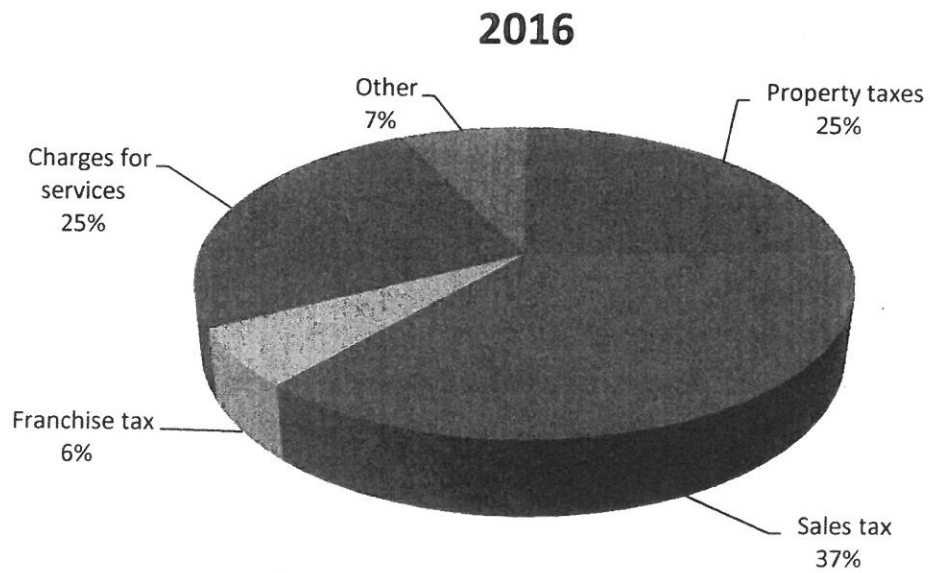
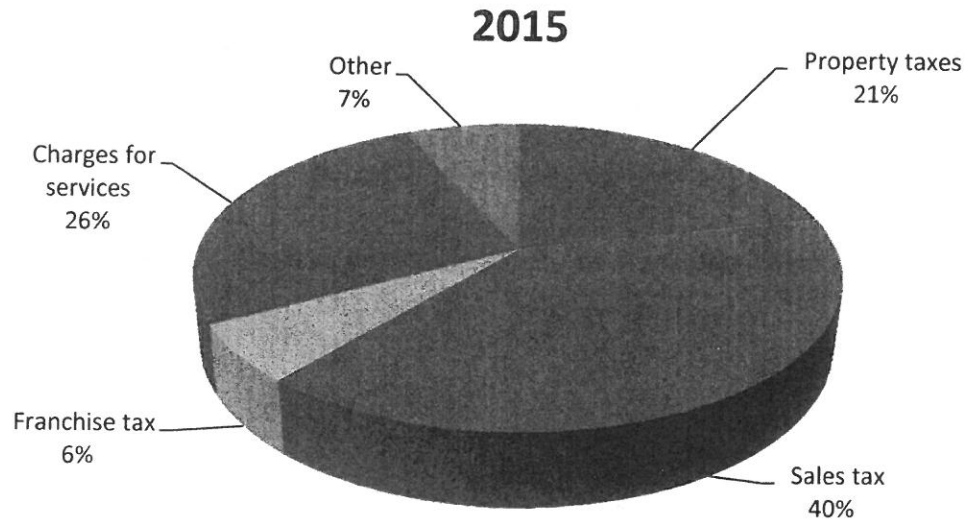


City of Devine, Texas General Fund Revenue Comparison

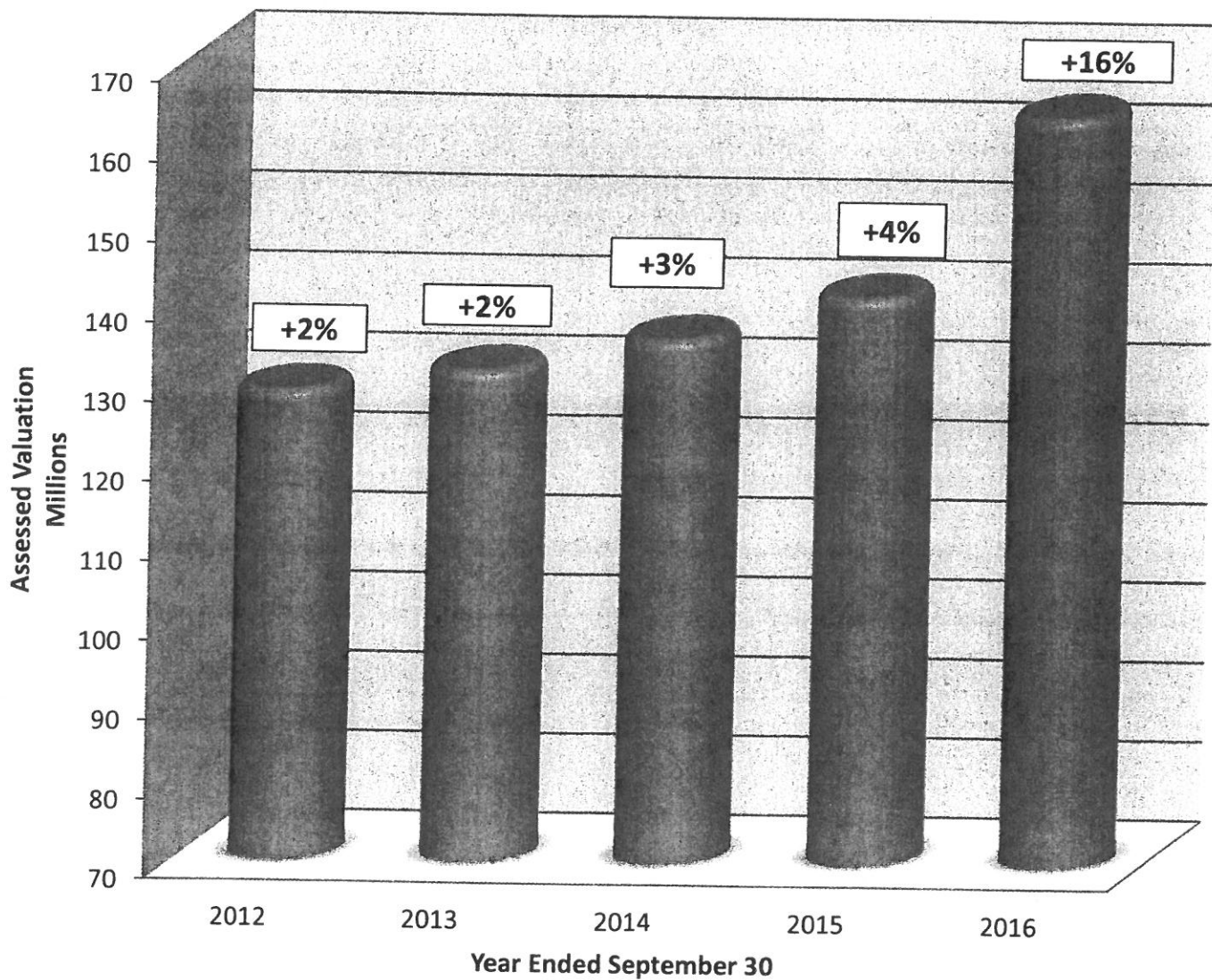


City of Devine, Texas

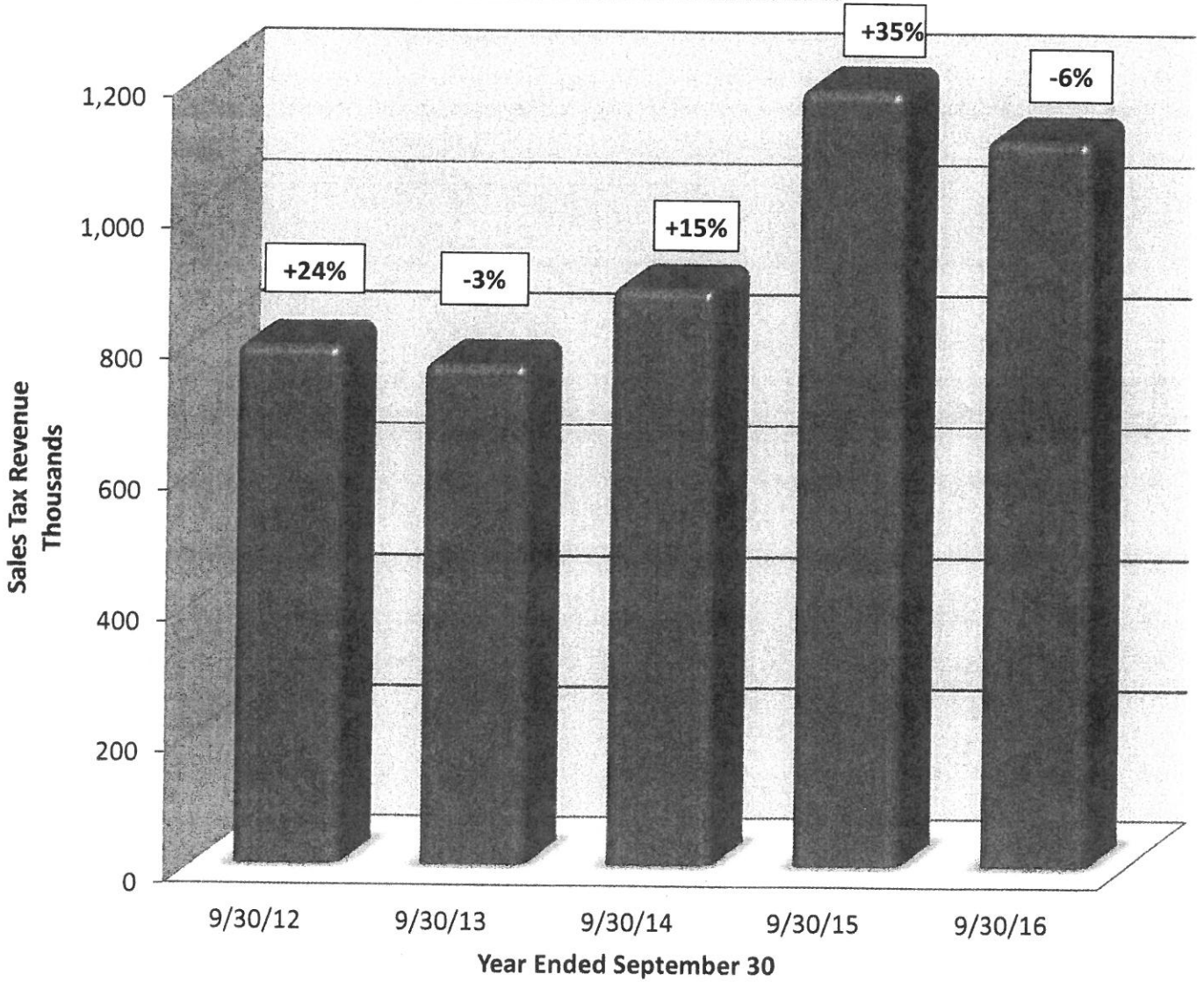
General Fund Revenue By Source



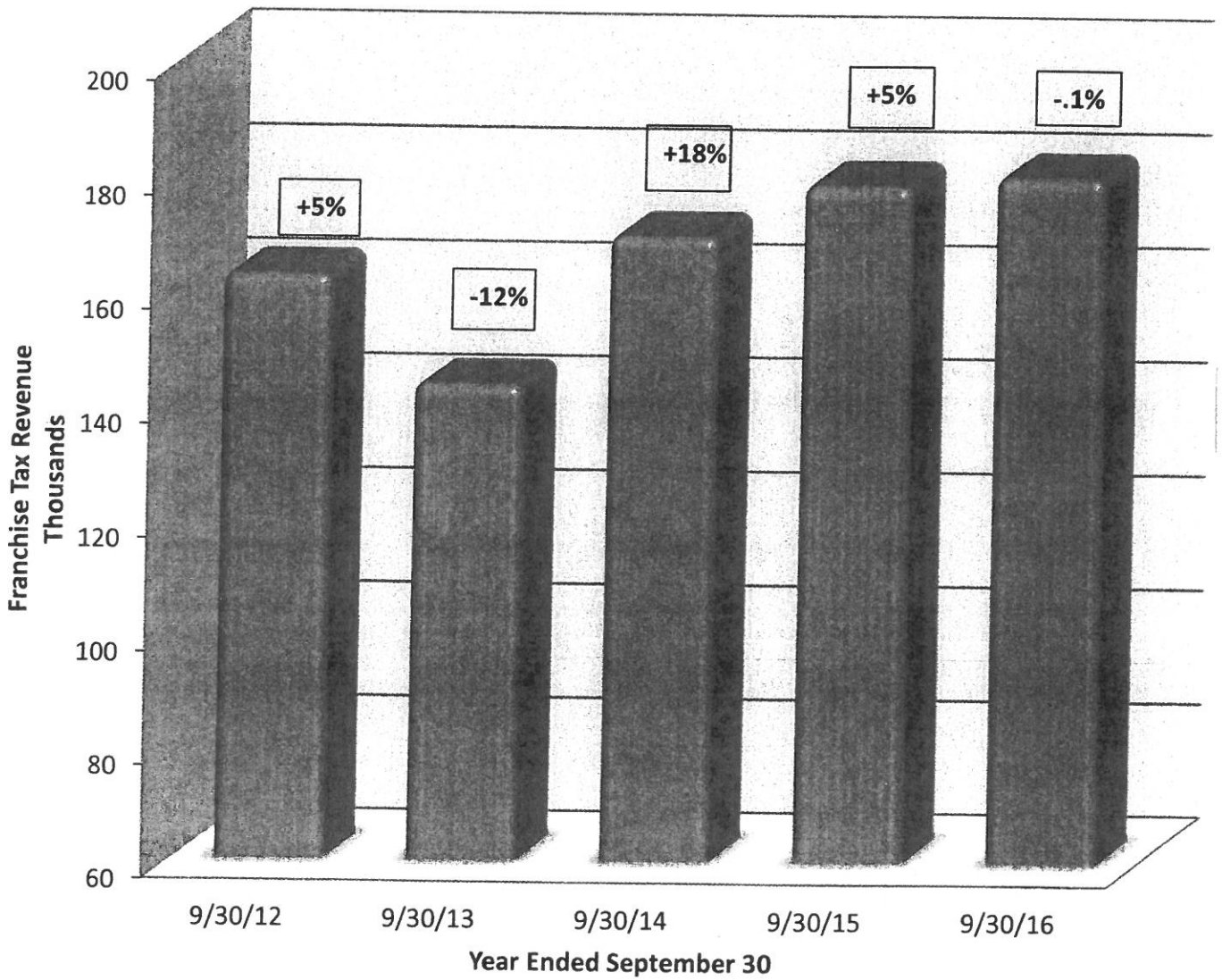
City of Devine, Texas Property Tax Assessed Valuation



City of Devine, Texas Trend in Sales Tax Revenue

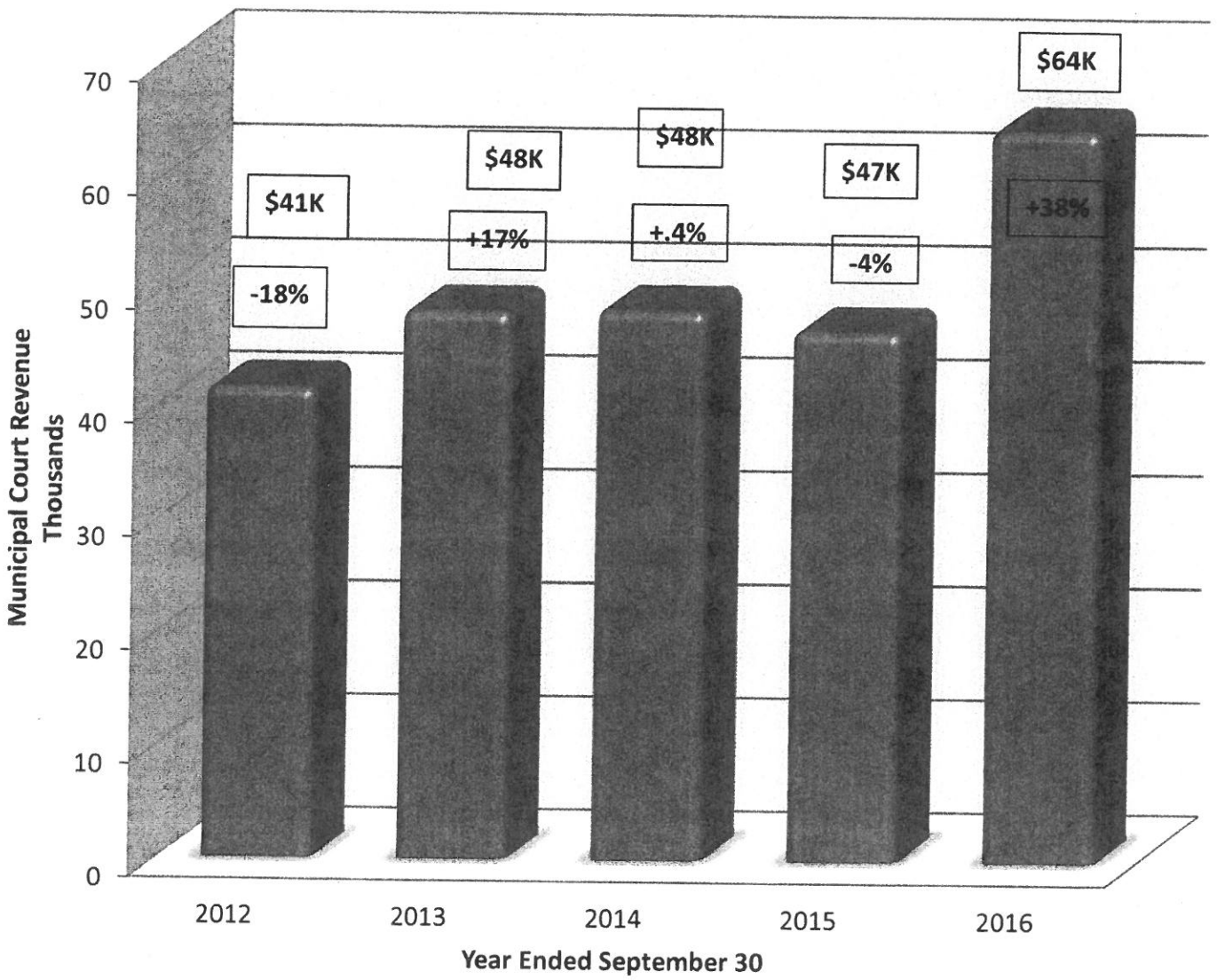


City of Devine, Texas Trend in Franchise Tax Revenue

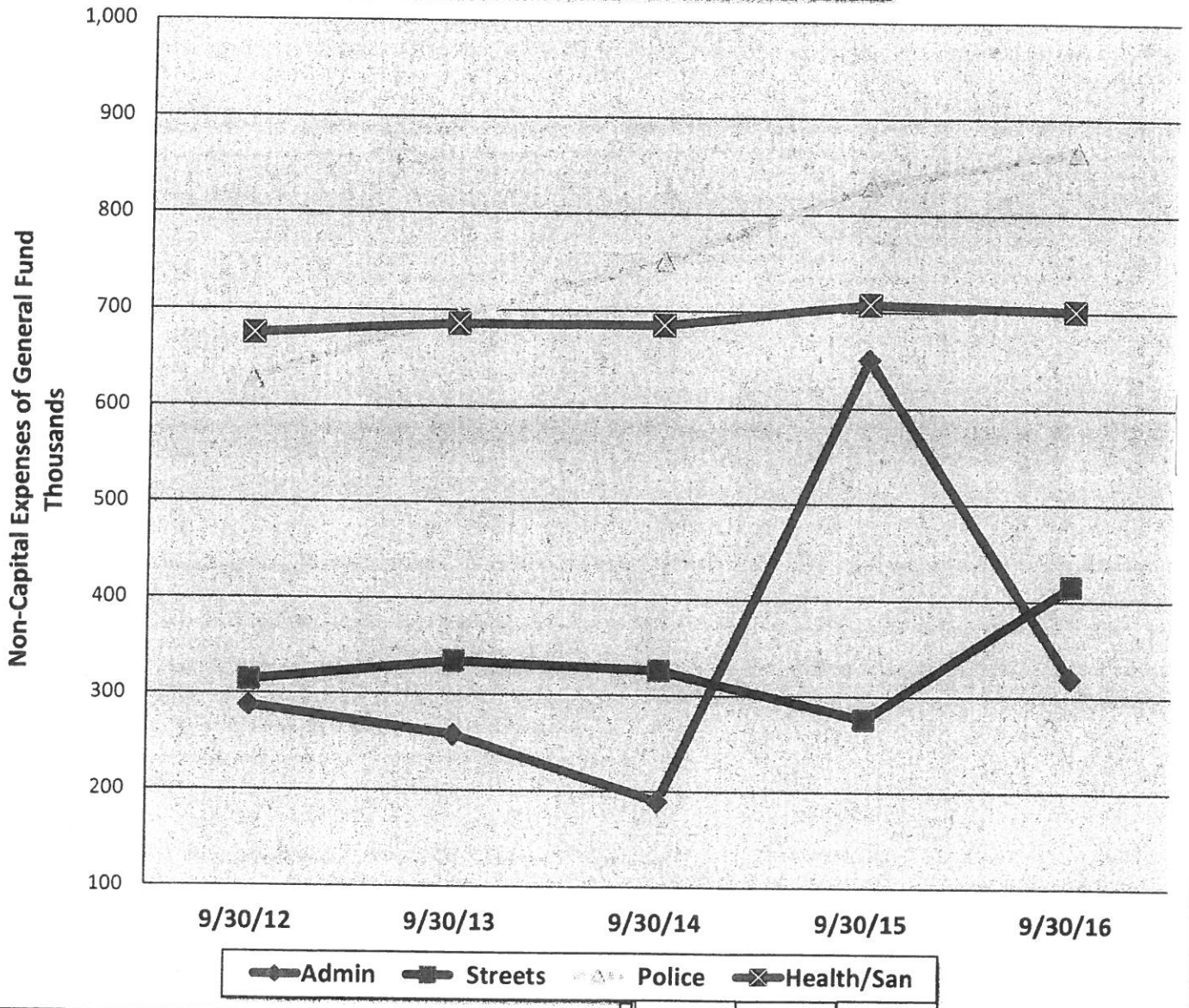


City of Devine, Texas

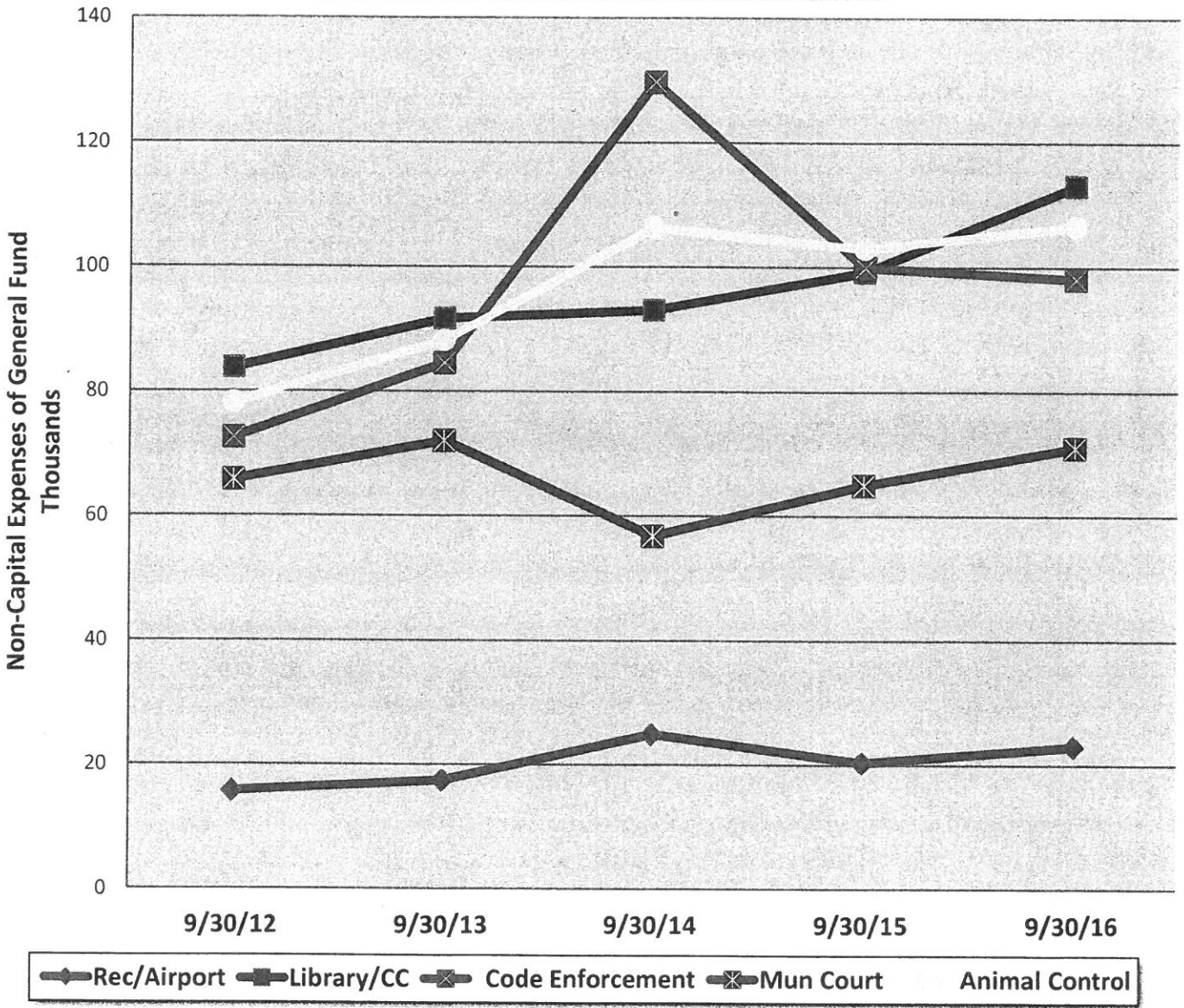
Trend in Municipal Court Revenue



City of Devine, Texas General Fund Operating Expenses

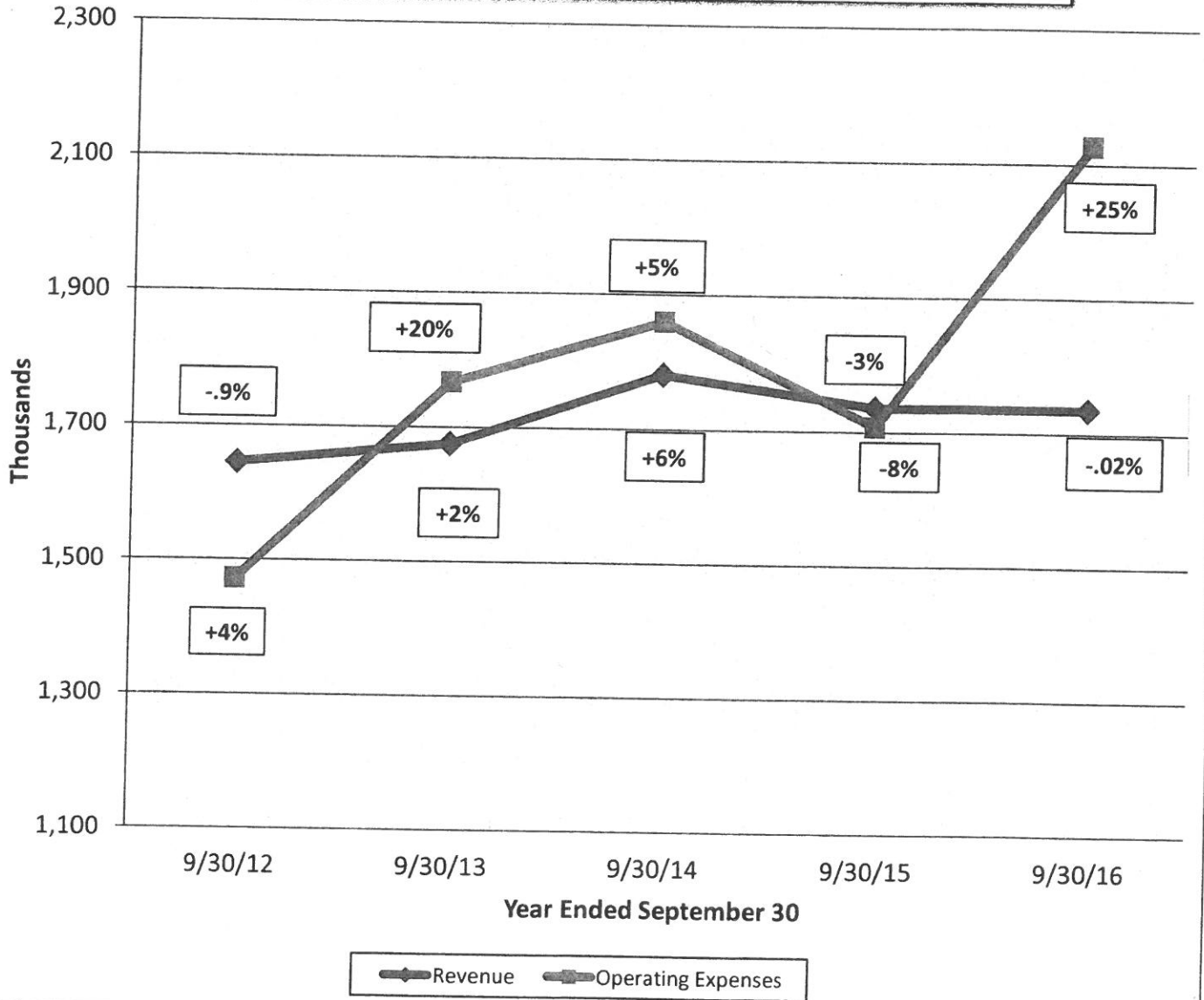


City of Devine, Texas General Fund Operating Expenses



City of Devine, Texas

Water & Sewer Fund Revenue vs. Operating Expenses



**CITY OF DEVINE, TEXAS
FIVE YEAR SUMMARY OF OPERATING RESULTS**

	9/30/12	9/30/13	9/30/14	9/30/15	9/30/16	% CHANGE 15 -- '16
GENERAL FUND						
Revenues (net of cap grants):						
Property taxes	579,413	591,227	629,653	638,274	738,997	16%
Sales tax	792,491	765,644	882,331	1,186,557	1,111,766	-6%
Franchise tax	162,665	143,630	169,801	178,975	180,642	1%
Charges for services	692,886	723,172	737,870	782,032	767,394	-2%
Other	138,836	158,076	205,576	205,451	223,423	9%
	2,366,291	2,381,749	2,625,231	2,991,289	3,022,221	1%
Operating expenditures:						
Administrative	287,111	257,286	188,883	650,123	319,308	-51%
Streets	313,976	334,086	325,352	275,346	415,143	51%
Police	627,637	693,495	751,072	831,263	866,416	4%
Municipal court	65,789	72,096	56,787	64,971	71,049	9%
Health and sanitation	674,219	684,813	684,445	706,952	700,814	-1%
Animal Control	78,210	88,213	106,386	102,938	106,659	4%
Recreation/airport	15,676	17,415	24,859	20,341	22,960	13%
Library/comm. center	83,755	91,724	93,067	99,197	113,116	14%
Code Enforcement	72,560	84,576	129,708	99,961	98,145	-2%
	2,218,933	2,323,704	2,360,559	2,851,092	2,713,611	-5%
Operating Income	147,358	58,045	264,672	140,197	308,610	
Capital expend (excl grants):						
Streets	0	2,950	1,638	0	4,221	
Other	235,379	53,593	139,447	196,489	115,329	
	235,379	56,543	141,085	196,489	119,550	
Inc bef loans/transfers	-88,021	1,502	123,587	-56,292	189,060	
Debt proceeds	0	0	0	0	0	
Income before transfers	-88,021	1,502	123,587	-56,292	189,060	
Net transfers in (out)	12,502	107,476	-320	-2,504	13,401	
Net income (loss)	-75,519	108,978	123,267	-58,796	202,460	
WATER AND SEWER FUND						
Revenues:						
Water billings	988,744	977,300	1,060,492	1,003,351	1,013,700	1%
Sewer billings	516,158	534,250	548,950	558,144	558,137	0%
Penalties and other	139,758	163,354	171,451	173,954	163,313	-6%
	1,644,660	1,674,904	1,780,893	1,735,449	1,735,150	0%
Expenses:						
Salaries	325,143	335,980	391,459	409,607	469,234	15%
Utilities	105,369	122,856	112,891	112,554	95,919	-15%
Maintenance-labor	138,109	151,770	176,635	203,757	223,666	10%
Maintenance-materials	22,589	23,931	26,238	18,666	28,024	50%
Depreciation	400,793	432,216	433,345	452,948	454,176	0%
Bond interest	102,340	90,286	34,903	41,650	39,270	-6%
Other	377,028	609,413	683,953	468,043	816,729	74%
	1,471,371	1,766,452	1,859,424	1,707,225	2,127,018	25%
Income before trsfrs	173,289	-91,548	-78,531	28,224	-391,868	
Transfers in (out)	-46,000	-91,696	0	0	0	
Net income (loss)	127,289	-183,244	-78,531	28,224	-391,868	

EXHIBIT B

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Communication with Audit Committees

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Devine, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Devine, Texas's financial statements were:

Management's estimate of the unavailable tax revenue is based on historic collection percentages. We evaluated the key factors and assumptions used to develop the deferred tax revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the allowance for depreciation is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the allowance for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. A copy of the adjustments proposed and accepted by management are attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 24, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Devine, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and administration of the City of Devine, Texas and is not intended to be used and should not be used by anyone other than these specified parties.

Sincerely,

Coleman, Horton + Company, LLP

Certified Public Accountants

Adjustments to Worksheet by Adjustment Number

FY 2016

City of Devine, Texas

2/16/2017

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
Adjustment Number: 1		Column: Account Groups - Beginning		
1710	Land	147,165.00		
1730	Buildings	745,897.00		
1731	Depreciation on Buildings		(662,812.00)	
1740	Improvements other than Buildings	2,744,961.00		
1741	Depreciation on Improvements other than Bldgs.		(2,463,127.00)	
1750	Furniture, Machinery and Equipment	1,198,646.00		
1751	Depreciation on Furniture, Machinery and Equipment		(931,564.00)	
3800	Net Investment in Capital Assets		(779,166.00)	
9100	Fund Balance - September 1 (Beginning)		(779,166.00)	
9200		779,166.00		
		5,615,835.00	(5,615,835.00)	

Remarks: Post beginning of the year capital assets for governmental funds.

Adjustment Number: 2		Column: Account Groups - Beginning		
2510	Bonds Payable - Due in More than One Year		(345,000.00)	
3800	Net Investment in Capital Assets	345,000.00		
9100	Fund Balance - September 1 (Beginning)	345,000.00		
9200			(345,000.00)	
		690,000.00	(690,000.00)	

Remarks: Post beginning of the year long-term liabilities for the governmental funds.

Adjustment Number: 3		Column: Debt and Capital Items		
1750	Furniture, Machinery and Equipment	119,550.00	(26,484.00)	
1751	Depreciation on Furniture, Machinery and Equipment	26,484.00		
6030	Public Works		(119,550.00)	
6013	Police			
6015	Animal Control			
6016	Parks & Recreation			
6017	Library			
6018	Airport			
6020	Code Enforcement			
3800	Net Investment in Capital Assets		(119,550.00)	
9200		119,550.00		
		265,584.00	(265,584.00)	

Remarks: Add current year capital asset additions and retirements for governmental funds.

Adjustment Number: 4		Column: Allocated Depreciation		
6010	Administration	24,177.00		
6012	Street	77,540.00		
6013	Police	73,179.00		
6014	Health & Sanitation	9,153.00		
6016	Parks & Recreation	2,908.00		

Adjustments to Worksheet by Adjustment Number

FY 2016

City of Devine, Texas

2/16/2017

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
1731	Depreciation on Buildings		(5,221.00)	
1741	Depreciation on Improvements other than Bldgs.		(73,392.00)	
1751	Depreciation on Furniture, Machinery and Equipment		(108,344.00)	
3800	Net Investment in Capital Assets	186,957.00		
9200			(186,957.00)	
		373,914.00	(373,914.00)	

Remarks: Recor15-16 depreciation for governmental funds.

Adjustment Number: **5** Column: Debt and Capital Items

6071	Debt Principal - Bonded Debt		(110,000.00)
2510	Bonds Payable - Due in More than One Year	110,000.00	
2510	Bonds Payable - Due in More than One Year	115,000.00	
2502	Bonds, Loans & Other Payable-Due Within One Year		(115,000.00)
3800	Net Investment in Capital Assets		(110,000.00)
9200		110,000.00	
		335,000.00	(335,000.00)

Remarks: Record current year bond payment and set up 16-17 requirement.

Adjustment Number: **6** Column: Debt and Capital Items

2140	Accrued Interest Payable		(1,610.00)
3900	Unrestricted Net Position	1,610.00	
9100	Fund Balance - September 1 (Beginning)	1,610.00	
9200			(1,610.00)
		3,220.00	(3,220.00)

Remarks: Record beginning of the year accrued interest payable.

Adjustment Number: **7** Column: Debt and Capital Items

2140	Accrued Interest Payable	513.00	
6073	Debt Interest - Bonded Debt		(513.00)
3900	Unrestricted Net Position		(513.00)
9200		513.00	
		1,026.00	(1,026.00)

Remarks: Adjust accrued interest to year end balance.

Adjustment Number: **8** Column: Reclassifications

9100	Fund Balance - September 1 (Beginning)		(89,185.00)
5010	Taxes - General Levy	70,749.00	
5011	Taxes - Debt Service Levy	18,436.00	
		89,185.00	(89,185.00)

Remarks: Recognize beginning of the year unavailable tax revenue.

Adjustment Number: **9** Column: Reclassifications

Adjustments to Worksheet by Adjustment Number
FY 2016

City of Devine, Texas

2/16/2017

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
2601	Unavailable Revenue - Property Taxes	88,604.00		
5010	Taxes - General Levy		(70,922.00)	
5011	Taxes - Debt Service Levy		(17,682.00)	
3900	Unrestricted Net Position		(88,604.00)	
9200		88,604.00		
		<u>177,208.00</u>	<u>(177,208.00)</u>	

Remarks: Recognize end of year unavailable tax receivable.

Adjustment Number: **10** Column: Reclassifications

3480	Restricted Fund Balance - Retirement of LT Debt	36,106.00		
3490	Other Restricted Fund Balance	18,066.00		
3600	Unassigned Fund Balance	2,005,918.00		
3810	Restricted for Debt Service		(36,106.00)	
3820	Restricted for Other Purposes		(18,066.00)	
3900	Unrestricted Net Position		(2,005,918.00)	
		<u>2,060,090.00</u>	<u>(2,060,090.00)</u>	

Remarks: Reclass equities.

Adjustment Number: **11** Column: Reclassifications

5110	Property Taxes - Real Property	2,161,626.00		
5010	Taxes - General Levy		(738,997.00)	
5011	Taxes - Debt Service Levy		(119,575.00)	
5180	Other Taxes		(1,303,054.00)	
		<u>2,161,626.00</u>	<u>(2,161,626.00)</u>	

Remarks: Reclassify tax collections.

Adjustment Number: **12** Column: Reclassifications

7915	Transfers In	13,401.00		
8911	Transfers Out		(13,401.00)	
		<u>13,401.00</u>	<u>(13,401.00)</u>	

Remarks: Remove transfers.

Adjustment Number: **13** Column: Reclassifications

8940	Other (Uses)		(1,973.00)	
6010	Administration	1,973.00		
		<u>1,973.00</u>	<u>(1,973.00)</u>	

Remarks: Reclassify other uses.

Adjustment Number: **14** Column: Debt and Capital Items

1997	Deferred Outflow Related to Pension Plan	73,514.00		
2595	Net Pension Liability		(578,915.00)	
2602	Deferred Inflow Related to Pension Plan		(38,599.00)	

Adjustments to Worksheet by Adjustment Number
FY 2016

City of Devine, Texas

2/16/2017

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
3900	Unrestricted Net Position	544,000.00		
9100	Fund Balance - September 1 (Beginning)	544,000.00		
9200			(544,000.00)	
		<u>1,161,514.00</u>	<u>(1,161,514.00)</u>	

Remarks: Record beginning GASB 68 account balances.

Adjustment Number: **15** Column: Debt and Capital Items

1997	Deferred Outflow Related to Pension Plan	166,290.00		
2595	Net Pension Liability		(542,111.00)	
2602	Deferred Inflow Related to Pension Plan	6,344.00		
6010	Administration	52,832.00		
6011	Municipal Court	8,666.00		
6012	Street	52,625.00		
6013	Police	194,476.00		
6014	Health & Sanitation	8,327.00		
6015	Animal Control	22,355.00		
6016	Parks & Recreation	948.00		
6017	Library	17,726.00		
6018	Airport	1,032.00		
6019	Community Center	842.00		
6020	Code Enforcement	9,648.00		
3900	Unrestricted Net Position	369,477.00		
9200			(369,477.00)	
		<u>911,588.00</u>	<u>(911,588.00)</u>	

Remarks: Record current year GASB 68 adjustments for governmental funds.

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2016

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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Independent Auditor's Report

The Honorable Mayor
and Members of the City Council
City of Devine, 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 Devine, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas as of September 30, 2016, 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 managements discussion and analysis, the budgetary comparison schedule, the schedule of changes in net pension liability and related ratios for TMRS, and schedule of contributions TMRS pension plan on pages 5-12 and 41-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017 on our consideration of the City of Devine, Texas'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Devine, Texas's internal control over financial reporting and compliance.

Coleman, Horton & Company, LLP

Uvalde, Texas
February 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the City of Devine (the City) is presented in five sections, management's discussion and analysis (this Part), basic financial statements, required supplementary information, combining and individual nonmajor fund statements and the federal section. This section of the City's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending September 30, 2016. Please read it in conjunction with the City's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
 - * The *governmental funds* statement tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - * *Proprietary fund* statements provide information about financial operations in which the City provides certain utility services for the benefit of its citizens.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, deferred outflow of resources and liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how they have changed. Net position—the difference between the City's assets, deferred outflows, liabilities, and deferred inflows is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, streets and parks, health and sanitation, and general administration. Property taxes and service fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- *Governmental funds* – Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that 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. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Financial Highlights

- * The City’s combined net position was \$7,193,125 at September 30, 2016, an increase of \$168,845 from day to day operations and a decrease of \$612,249 due to reporting GASB 68 recognitions for the current year.
- * During the year, the City’s revenue was \$4,982,125 as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
a) Taxes	\$2,161,045	\$2,254,914
b) Charges for Services	921,126	896,856
c) Investment Earnings	6,220	6,365
d) Grants and Contributions	37,671	71,277
e) Other	<u>27,218</u>	<u>3,639</u>
Sub-total	<u>\$3,153,280</u>	<u>\$3,233,051</u>

	<u>Business-type Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
e) Charges for Services	\$1,686,213	\$1,731,691
f) Investment Earnings	12,936	11,256
g) Grants	93,696	220,634
h) Other	<u>36,000</u>	<u>2,036</u>
Sub-total	<u>1,828,845</u>	<u>1,965,617</u>
Total Revenue	<u>\$4,982,125</u>	<u>\$5,198,668</u>

* During the year, the City's expenses were \$5,425,529 as reflected below:

		<u>Governmental Activities</u>	
		<u>Current Year</u>	<u>Prior Year</u>
a)	Administration	\$ 423,934	\$ 354,806
b)	Municipal Court	79,715	64,659
c)	Street	545,308	367,456
d)	Police	1,134,921	885,332
e)	Health and Sanitation	718,294	713,806
f)	Animal Controls	129,014	101,846
g)	Parks and Recreation	13,698	20,354
h)	Library	118,143	87,598
i)	Airport	14,151	10,708
j)	Community Center	13,541	10,819
k)	Code Enforcement	<u>107,793</u>	<u>99,342</u>
	Sub-Total	<u>\$3,298,512</u>	<u>\$2,716,726</u>

		<u>Business-type Activities</u>	
		<u>Current Year</u>	<u>Prior Year</u>
a)	Water and Sewer	<u>\$2,127,017</u>	<u>\$1,706,127</u>
	Sub-Total	<u>2,127,017</u>	<u>1,706,127</u>
	Total Expenses	<u>\$5,425,529</u>	<u>\$4,422,853</u>

* The general fund reported a fund balance this year of \$2,005,918, an increase of \$175,659 from the prior year.

* Revenues were \$46,084 above budget and expenditures were \$38,232 below budget.

* The general fund transferred \$8,000 to the lodging tax fund and \$5,401 to the debt service fund during the year.

* The City's combined net position was \$7,193,125 at September 30, 2016, as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Current and other assets	\$ 2,424,840	\$ 2,267,736
Capital and non-current assets	<u>711,759</u>	<u>779,166</u>
Total Assets	<u><u>\$ 3,136,599</u></u>	<u><u>\$ 3,046,902</u></u>
Deferred Outflows	<u>\$ 239,804</u>	<u>\$ 73,514</u>
Current liabilities	\$ 258,235	\$ 251,875
Long term liabilities	<u>1,356,026</u>	<u>923,915</u>
Total Liabilities	<u><u>\$ 1,614,261</u></u>	<u><u>\$ 1,175,790</u></u>
Deferred Inflows	<u>\$ 51,263</u>	<u>\$ 88,515</u>
Net Position:		
Net investment in capital assets	\$ 476,759	\$ 434,166
Restricted	54,172	48,111
Unrestricted	<u>1,179,948</u>	<u>1,373,834</u>
Total Net Position	<u><u>\$ 1,710,879</u></u>	<u><u>\$ 1,856,111</u></u>

	<u>Business-type Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Current and other assets	\$ 3,355,386	\$ 3,446,761
Capital and non-current assets	<u>4,745,920</u>	<u>4,932,053</u>
Total Assets	<u>\$ 8,101,306</u>	<u>\$ 8,378,814</u>
Deferred Outflows	<u>\$ 158,273</u>	<u>\$ 49,009</u>
Current liabilities	\$ 503,621	\$ 520,729
Long term liabilities	<u>2,252,148</u>	<u>2,100,944</u>
Total Liabilities	<u>\$ 2,755,769</u>	<u>\$ 2,621,673</u>
Deferred Inflows	<u>\$ 21,564</u>	<u>\$ 25,732</u>
Net Position:		
Net investment in capital assets	\$ 3,030,920	\$ 3,007,053
Unrestricted	<u>2,451,326</u>	<u>2,773,365</u>
Total Net Position	<u>\$ 5,482,246</u>	<u>\$ 5,780,418</u>
Combined Total Net Position	<u>\$ 7,193,125</u>	<u>\$ 7,636,529</u>

Capital Assets and Debt Administration

Capital Assets

Capital assets for the City at fiscal year end September 30, 2016 amounted to \$5,457,679. It is the City's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and streets as reflected below:

City's Capital Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
	<u>Current Year</u>		<u>Prior Year</u>	
Land	\$ 147,165	\$ 215,714	\$ 147,165	\$ 215,714
Buildings and improvements	745,897	2,968	745,897	2,9688
Equipment	1,291,712	1,432,393	1,198,646	1,260,896
Water & utility improvements	2,744,961	11,017,954	2,744,961	10,921,407
Water rights	-	402,500	-	402,500
Totals at historical cost	4,929,735	13,071,529	4,836,669	12,803,485
Total accumulated depreciation	<u>(4,217,976)</u>	<u>(8,325,609)</u>	<u>(4,057,503)</u>	<u>(7,871,432)</u>
Net capital assets	<u>\$ 711,759</u>	<u>\$ 4,745,920</u>	<u>\$ 779,166</u>	<u>\$ 4,932,053</u>

Long-term Debt

The City has the following long term debt at year end:

City's Long Term Debt

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
	<u>Current Year</u>		<u>Prior Year</u>	
General Obligation Bonds	\$ 235,000	\$ 1,715,000	\$ 345,000	\$ 1,925,000
Total	<u>\$ 235,000</u>	<u>\$ 1,715,000</u>	<u>\$ 345,000</u>	<u>\$ 1,925,000</u>

Contacting the City's Financial Management

The financial report is designed for customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

City Administrator
City of Devine
303 South Teel
Devine, Texas 78016
(830) 663-2804

BASIC FINANCIAL STATEMENTS

CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,923,846	\$ 2,944,998	\$ 4,868,844
Receivables (net of allowance for uncollectibles)	432,528	145,592	578,120
Internal Balances	68,466	(68,466)	-
Restricted Assets:			
Cash and Cash Equivalents	-	333,262	333,262
Capital Assets:			
Land	147,165	215,714	362,879
Buildings, net	77,864	-	77,864
Improvements other than Buildings, net	208,442	-	208,442
Machinery and Equipment, net	278,288	4,220,862	4,499,150
Water Rights, net	-	309,344	309,344
Total Assets	<u>3,136,599</u>	<u>8,101,306</u>	<u>11,237,905</u>
DEFERRED OUTFLOW OF RESOURCES			
Related to Pension Plan	239,804	158,273	398,077
Total Deferred Outflows of Resources	<u>239,804</u>	<u>158,273</u>	<u>398,077</u>
LIABILITIES			
Accounts Payable	257,138	118,921	376,059
Accrued Interest Payable	1,097	-	1,097
Payable from Restricted Assets	-	179,700	179,700
Noncurrent Liabilities			
Due Within One Year	115,000	205,000	320,000
Due in More Than One Year	120,000	1,510,000	1,630,000
Net Pension Liability	1,121,026	742,148	1,863,174
Total Liabilities	<u>1,614,261</u>	<u>2,755,769</u>	<u>4,370,030</u>
DEFERRED INFLOW OF RESOURCES			
Related to Pension Plan	32,255	21,564	53,819
Paving Assessments	8,692	-	8,692
Municipal Court	10,316	-	10,316
Total Deferred Inflows of Resources	<u>51,263</u>	<u>21,564</u>	<u>72,827</u>
NET POSITION			
Net Investment in Capital Assets	476,759	3,030,920	3,507,679
Restricted for:			
Debt Service	36,106	-	36,106
Other Purposes	18,066	-	18,066
Unrestricted Net Position	1,179,948	2,451,326	3,631,274
Total Net Position	<u>\$ 1,710,879</u>	<u>\$ 5,482,246</u>	<u>\$ 7,193,125</u>

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

CITY OF DEVINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Administration	\$ 423,934	\$ 65,444	\$ -
Municipal Court	79,715	67,797	-
Street	545,308	-	-
Police	1,134,921	1,317	37,671
Health & Sanitation	718,294	764,478	-
Animal Control	129,014	75	-
Parks & Recreation	13,698	-	-
Library	118,143	9,869	-
Airport	14,151	-	-
Community Center	13,541	3,340	-
Code Enforcement	107,793	8,806	-
Total Governmental Activities:	3,298,512	921,126	37,671
BUSINESS-TYPE ACTIVITIES:			
Sewer Water Fund	2,127,017	1,686,213	93,696
Total Business-Type Activities:	2,127,017	1,686,213	93,696
TOTAL PRIMARY GOVERNMENT:	\$ 5,425,529	\$ 2,607,339	\$ 131,367

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Other Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (358,490)	\$ -	\$ (358,490)
(11,918)	-	(11,918)
(545,308)	-	(545,308)
(1,095,933)	-	(1,095,933)
46,184	-	46,184
(128,939)	-	(128,939)
(13,698)	-	(13,698)
(108,274)	-	(108,274)
(14,151)	-	(14,151)
(10,201)	-	(10,201)
(98,987)	-	(98,987)
<u>(2,339,715)</u>	<u>-</u>	<u>(2,339,715)</u>
-	(347,108)	(347,108)
-	(347,108)	(347,108)
<u>(2,339,715)</u>	<u>(347,108)</u>	<u>(2,686,823)</u>
739,170	-	739,170
118,821	-	118,821
1,303,054	-	1,303,054
27,218	36,000	63,218
6,220	12,936	19,156
<u>2,194,483</u>	<u>48,936</u>	<u>2,243,419</u>
(145,232)	(298,172)	(443,404)
1,856,111	5,780,418	7,636,529
<u>\$ 1,710,879</u>	<u>\$ 5,482,246</u>	<u>\$ 7,193,125</u>

CITY OF DEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

EXHIBIT C-1

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,872,208	\$ 51,638	\$ 1,923,846
Taxes Receivable	85,675	21,161	106,836
Allowance for Uncollectible Taxes (credit)	(12,851)	(3,174)	(16,025)
Receivables (Net)	156,501	2,718	159,219
Intergovernmental Receivables	182,498	-	182,498
Due from Other Funds	68,466	-	68,466
Total Assets	<u>\$ 2,352,497</u>	<u>\$ 72,343</u>	<u>\$ 2,424,840</u>
LIABILITIES			
Accounts Payable	\$ 104,097	\$ 489	\$ 104,586
Accrued Liabilities	152,552	-	152,552
Total Liabilities	<u>256,649</u>	<u>489</u>	<u>257,138</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	70,922	17,682	88,604
Unavailable Revenue - Paving Assessments	8,692	-	8,692
Unavailable Revenue - Municipal Court	10,316	-	10,316
Total Deferred Inflows of Resources	<u>89,930</u>	<u>17,682</u>	<u>107,612</u>
FUND BALANCES			
Retirement of Long-Term Debt	-	36,106	36,106
Other Restricted Fund Balance	-	18,066	18,066
Unassigned Fund Balance	2,005,918	-	2,005,918
Total Fund Balances	<u>2,005,918</u>	<u>54,172</u>	<u>2,060,090</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,352,497</u>	<u>\$ 72,343</u>	<u>\$ 2,424,840</u>

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

CITY OF DEVINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,060,090
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) of \$779,166 and long-term debt of \$(345,000) in the governmental activities is to increase net position.		434,166
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays of \$119,550 and debt principal payments of \$110,000 is to increase net position.		229,550
This is the second year of the implementation of GASB 68 for the TMRS Pension plan. The items reported as a result of this reporting include a Net Pension Liability of \$(1,121,026), a Deferred Resource Outflow of \$239,804, and a Deferred Resource Inflow of \$(32,255). The net effect of these items is to decrease net position.		(913,477)
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(186,957)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable tax revenue of \$88,604 as revenue, and recognizing accrued interest of \$(1,097). The net effect of these reclassifications and recognitions is to increase net position.		87,507
Net Position of Governmental Activities	\$	1,710,879

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

CITY OF DEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 2,031,405	\$ 130,221	\$ 2,161,626
Licenses and Permits	70,962	-	70,962
Intergovernmental Revenue	36,455	1,216	37,671
Charges for Services	767,393	-	767,393
Fees/Fines	87,831	-	87,831
Investment Earnings	6,127	93	6,220
Other Revenue	22,048	110	22,158
Total Revenues	3,022,221	131,640	3,153,861
EXPENDITURES:			
Administration	317,335	20,010	337,345
Municipal Court	71,049	-	71,049
Street	415,143	-	415,143
Police	866,416	850	867,266
Health & Sanitation	700,814	-	700,814
Animal Control	106,659	-	106,659
Parks & Recreation	9,842	-	9,842
Library	100,417	-	100,417
Airport	13,119	-	13,119
Community Center	12,699	-	12,699
Code Enforcement	98,145	-	98,145
Capital Outlay	119,550	-	119,550
Debt Service:			
Debt Principal - Bonded Debt	-	110,000	110,000
Debt Interest - Bonded Debt	-	8,120	8,120
Total Expenditures	2,831,188	138,980	2,970,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	191,033	(7,340)	183,693
OTHER FINANCING SOURCES (USES):			
Transfers In	-	13,401	13,401
Transfers Out (Use)	(13,401)	-	(13,401)
Other (Uses)	(1,973)	-	(1,973)
Total Other Financing Sources (Uses)	(15,374)	13,401	(1,973)
Net Change in Fund Balances	175,659	6,061	181,720
Fund Balance - October 1 (Beginning)	1,830,259	48,111	1,878,370
Fund Balance - September 30 (Ending)	\$ 2,005,918	\$ 54,172	\$ 2,060,090

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

CITY OF DEVINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	181,720
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays of \$119,550 and debt principal payments of \$110,000 is to increase net position.		229,550
The reporting of GASB 68 for the current year resulted in an increase in the Net Pension Liability of \$(542,111), a decrease in Deferred Resource Inflows of \$6,344, and an increase in Deferred Resource Outflows of \$166,290. The result of these changes is to decrease net position.		(369,477)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(186,957)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$(581), and the decrease in accrued interest of \$513. The net effect of these reclassifications and recognitions is to increase decrease net position.		(68)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(145,232)</u>

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

CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

EXHIBIT D-1

	Business Type Activities	
	Sewer	Water
	Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	2,944,998
Restricted Assets - Current:		
Cash and Cash Equivalents		333,262
Interest Receivable		4,570
Accounts Receivable-Net of Uncollectible Allowance		141,022
Total Current Assets		3,423,852
Noncurrent Assets:		
Capital Assets:		
Land		215,714
Equipment		4,220,862
Water Rights		309,344
Total Noncurrent Assets		4,745,920
Total Assets		8,169,772
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pension Plan		158,273
Total Deferred Outflows of Resources		158,273
LIABILITIES		
Current Liabilities:		
Accounts Payable		16,218
Accrued Liabilities		102,703
Due to Other Funds		68,466
Payable from Restricted Assets - Current:		
Bonds		205,000
Customer Deposits		173,294
Accrued Interest		6,406
Total Current Liabilities		572,087
NonCurrent Liabilities:		
Bonds Payable - Noncurrent		1,510,000
Net Pension Liability		742,148
Total Noncurrent Liabilities		2,252,148
Total Liabilities		2,824,235
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan		21,564
Total Deferred Inflows of Resources		21,564
NET POSITION		
Net Investment in Capital Assets		3,030,920
Unrestricted Net Position		2,451,326
Total Net Position	\$	5,482,246

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

CITY OF DEVINE, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT D-2

	Business Type Activities
	Sewer Water Fund
OPERATING REVENUES:	
Charges for Services	\$ 1,686,213
Other Revenue	36,000
Total Operating Revenues	1,722,213
OPERATING EXPENSES:	
Personnel Services	754,521
Purchased Services	523,165
Other Operating Expenses	395,155
Depreciation	454,176
Total Operating Expenses	2,127,017
Operating Income (Loss)	(404,804)
NON-OPERATING REVENUES (EXPENSES):	
Grants	93,696
Investment Earnings	12,936
Total Non-operating Revenue (Expenses)	106,632
Change in Net Position	(298,172)
Total Net Position -October 1 (Beginning)	5,780,418
Total Net Position September 30 (Ending)	\$ 5,482,246

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

CITY OF DEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business Type Activities
	Sewer Water Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,807,284
Cash Payments for Personnel Services	(494,032)
Cash Payments for Purchased Services	(553,830)
Cash Payments for Other Operating Expenses	(395,573)
Net Cash Provided by Operating Activities	<u>363,849</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Grant Proceeds	<u>93,696</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(268,043)
Bond Principal Paid	(210,000)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(478,043)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>12,936</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(7,562)
Cash and Cash Equivalents at Beginning of the Year:	<u>3,285,822</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 3,278,260</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>	
Operating Income (Loss):	\$ (404,804)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	454,176
GASB 68 Adjustment	242,772
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	27,240
Increase (decrease) in Accounts Payable	(30,665)
Increase (decrease) in Accrued Liabilities	17,299
Increase (decrease) in Due to Other Funds	56,573
Increase (decrease) in Customer Deposits	1,258
Net Cash Provided by Operating Activities	<u>\$ 363,849</u>

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