

City of Devine, Texas

Annual Financial Report
For The Year Ended
September 30, 2018



COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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Certified Public Accountants

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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, 2018. 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.

Management's estimate of the City's proportionate share of the collective net pension liability and net OPEB liability is based on actuarial assumptions performed by the state auditor on the City's pension plan. We reviewed these assumptions and calculations by the state auditor and individual testing we did at the City level 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 15, 2018.

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,



Certified Public Accountants

City of Devine
 AJE's - Systems Fund
 9/30/2018

Account Name	Account #	DR	CR	Initials
(1)				
Alloance for Uncollected	03-11-139		6,600.00	
Uncollected Accts	03-491-09-550	6,600.00		
Adjust allowance				_____
(2)				
Utility Plant	03-12-170	26,545.84		
	03-491-11-706		567.51	
	03-492-11-704		25,411.00	
	03-492-11-706		567.33	
Reclassify capital additions				_____
(3)				
Depreciation Expense	03-491-09-590	106.25		
Depreciation Expense	03-492-09-590	106.25		
Accumulated Depreciation	03-12-179		212.50	
Record additional depreciation				_____
(4)				
Net Pension Liability	03-22-300	6,814.00		
Def. Resource Outflow	03-12-180	29,422.00		
Pension Expense	03-491-01-424	8,348.00		
Pension Expense	03-492-01-424	7,638.00		
Def. Resource Inflow	03-30-0396		52,222.00	
Record GASB 68				_____
(5)				
Prior Period Adjustment	03-29-290	33,070.00		
NEW - Net OPEB Liability	03-22-301		38,501.00	
NEW - Def. Resource Outflow - OPEB	03-12-181	3,440.00		
NEW - Def. Resource Inflow - OPEB	03-22-303		-	
Pension Expense	03-491-01-424	1,040.00		
Pension Expense	03-492-01-424	951.00		
Record GASB 75				_____
(6)				
Due from Other Govts.	11-11-122	8,233.38		
Grant Revenue	11-487-09-620		8,233.38	
Record A/R for Home Program				_____
		132,314.72	132,314.72	

City of Devine
Proposed Adjustments - General Fund
9/30/2018

AJE #	Account Number and Name	Date	DR	CR	Initial by Management
(1)	01-11-100 General Fund Cash 01-11-182 Due To/From Billing (W-S-G)	9/30/2018	214,361.59	214,361.59	_____
	To adjust Due To/From and record O/S deposit				
(2)	01-21-202 NP Capital Lease - John Deere 01-XX-XXX Other Resources - Capital Lease Proceeds 01-462-09-585 Principal	9/30/2018	205,567.08 9,733.25	215,300.33	_____
	To adjust capital lease proceeds and record principal				
(3)	01-29-100 Animal Donations Reserve 01-300-04-352 Contributions - Animal Control	9/30/2018	333.72	333.72	
	To reclassify				
			<u>429,995.64</u>	<u>429,995.64</u>	

Adjustments to Worksheet by Adjustment Number
FY 2018

City of Devine

2/14/2019

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 Purchase and Improvements	147,165.00		
1730	Buildings	745,897.00		
1731	Accumulated Depreciation - Buildings		(686,741.00)	
1740	Improvements other than Buildings	2,744,961.00		
1741	Accumulated Depreciation - Other Improvements		(2,559,017.00)	
1750	Furniture and Equipment	1,407,189.00		
1751	Accumulated Depreciation - Furniture & Equipment		(1,151,183.00)	
3800	Net Investment in Capital Assets		(648,271.00)	
9100	Beginning Fund Balance / Net Assets		(648,271.00)	
9200	Ending Fund Balance/Net Assets	648,271.00		
		5,693,483.00	(5,693,483.00)	

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

Adjustment Number: 2		Column: Account Groups - Beginning		
2510	Bonds Payable - Noncurrent		(120,000.00)	
3800	Net Investment in Capital Assets	120,000.00		
9100	Beginning Fund Balance / Net Assets	120,000.00		
9200	Ending Fund Balance/Net Assets		(120,000.00)	
		240,000.00	(240,000.00)	

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

Adjustment Number: 3		Column: Debt and Capital Items		
1730	Buildings	330,154.00		
1750	Furniture and Equipment	6,242.00		
1760	Capital Assets	226,514.00		
6250	Capital Outlay		(562,910.00)	
3800	Net Investment in Capital Assets		(562,910.00)	
9200	Ending Fund Balance/Net Assets	562,910.00		
		1,125,820.00	(1,125,820.00)	

Remarks: Add current year capital asset additions.

Adjustment Number: 4		Column: Allocated Depreciation		
6100	Administration	17,351.00		
6130	Police	60,910.00		
6120	Streets	29,900.00		
6140	Health & Sanitation	6,607.00		
6190	Parks & Recreation	4,493.00		
6200	Golf Course	7,550.00		
6220	Airport	21,941.00		
1731	Accumulated Depreciation - Buildings		(19,406.00)	
1741	Accumulated Depreciation - Other Improvements		(32,102.00)	
1751	Accumulated Depreciation - Furniture & Equipment		(89,694.00)	

Adjustments to Worksheet by Adjustment Number
FY 2018

City of Devine

2/14/2019

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
1761	Accumulated Depreciation - Capital Assets		(7,550.00)	
3800	Net Investment in Capital Assets	148,752.00		
9200	Ending Fund Balance/Net Assets		(148,752.00)	
		297,504.00	(297,504.00)	

Remarks: Record 17-18 depreciation for governmental funds.

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

2510	Bonds Payable - Noncurrent	120,000.00		
6710	Principal		(120,000.00)	
3800	Net Investment in Capital Assets		(120,000.00)	
9200	Ending Fund Balance/Net Assets	120,000.00		
		240,000.00	(240,000.00)	

Remarks: Record current year bond payment.

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

7913	Proceeds from Capital Leases	215,300.00		
2503	Capital Leases Due Within One Year		(41,169.00)	
2540	Capital Leases Payable - Noncurrent		(174,131.00)	
2540	Capital Leases Payable - Noncurrent	9,733.00		
6710	Principal		(9,733.00)	
3800	Net Investment in Capital Assets	205,567.00		
9200	Ending Fund Balance/Net Assets		(205,567.00)	
		430,600.00	(430,600.00)	

Remarks: Record capital lease for John Deere equipment, and principal paid during the year.

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

2140	Accrued Interest Payable		(560.00)	
3900	Unrestricted	560.00		
9100	Beginning Fund Balance / Net Assets	560.00		
9200	Ending Fund Balance/Net Assets		(560.00)	
		1,120.00	(1,120.00)	

Remarks: Record beginning of the year accrued interest.

Adjustment Number: **8** Column: Debt and Capital Items

2140	Accrued Interest Payable	68.00		
6720	Interest		(68.00)	
3900	Unrestricted		(68.00)	
9200	Ending Fund Balance/Net Assets	68.00		
		136.00	(136.00)	

Remarks: Adjust accrued interest of year end balance.

Adjustment Number: **9** Column: Reclassifications

Adjustments to Worksheet by Adjustment Number
FY 2018

City of Devine

2/14/2019

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
9100	Beginning Fund Balance / Net Assets		(77,562.00)	
5010	Taxes - General Levy	64,783.00		
5011	Taxes - Debt Service Levy	12,779.00		
		77,562.00	(77,562.00)	

Remarks: Recognize beginning of the year unavailable tax revenue.

Adjustment Number: **10** Column: Reclassifications

2601	Unavailable Revenue - Property Taxes	69,799.00		
5010	Taxes - General Levy		(57,183.00)	
5011	Taxes - Debt Service Levy		(12,616.00)	
3900	Unrestricted		(69,799.00)	
9200	Ending Fund Balance/Net Assets	69,799.00		
		139,598.00	(139,598.00)	

Remarks: Recognize end of year unavailable tax receivable.

Adjustment Number: **11** Column: Reclassifications

1300	Due from Other Funds		(109,756.00)	
2080	Due to Other Funds	109,756.00		
		109,756.00	(109,756.00)	

Remarks: Remove due to due from accounts.

Adjustment Number: **12** Column: Reclassifications

7915	Transfers In	9,305.00		
8911	Transfers Out (Use)		(9,305.00)	
		9,305.00	(9,305.00)	

Remarks: Remove transfers.

Adjustment Number: **13** Column: Reclassifications

3480	Retirement of Long-Term Debt	30,865.00		
3490	Other Restricted Fund Balance	139,023.00		
3600	Unassigned Fund Balance	1,981,039.00		
3860	Restricted for Debt Service		(30,865.00)	
3890	Restricted for Other Purposes		(139,023.00)	
3900	Unrestricted		(1,981,039.00)	
		2,150,927.00	(2,150,927.00)	

Remarks: Reclass equities.

Adjustment Number: **14** Column: Reclassifications

5110	Property Taxes	2,400,357.00		
5010	Taxes - General Levy		(698,999.00)	
5011	Taxes - Debt Service Levy		(112,749.00)	
5180	Other Taxes		(1,588,609.00)	

Adjustments to Worksheet by Adjustment Number
FY 2018

City of Devine

2/14/2019

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
		2,400,357.00	(2,400,357.00)	

Remarks: Reclassify property tax collections.

Adjustment Number: **15** Column: GASB 68

2580	Net Pension Liability		(1,602,782.00)
1997	Deferred Outflow Related to Pension Plan	268,938.00	
2602	Deferred Inflow Related to Pension Plan		(20,101.00)
3900	Unrestricted	1,353,945.00	
9100	Beginning Fund Balance / Net Assets	1,353,945.00	
9200	Ending Fund Balance/Net Assets		(1,353,945.00)
		2,976,828.00	(2,976,828.00)

Remarks: Record beginning GASB 68 account balances.

Adjustment Number: **16** Column: GASB 68

2580	Net Pension Liability	11,531.00	
1997	Deferred Outflow Related to Pension Plan	49,783.00	
2602	Deferred Inflow Related to Pension Plan		(88,364.00)
6100	Administration	3,611.00	
6110	Municipal Court	572.00	
6120	Streets	3,797.00	
6130	Police	14,071.00	
6140	Health & Sanitation	795.00	
6150	Animal Control	679.00	
6190	Parks & Recreation	992.00	
6210	Library	105.00	
6220	Airport	472.00	
6200	Golf Course	1,138.00	
6230	Community Center	83.00	
6240	Code Enforcement	74.00	
6200	Golf Course	661.00	
3900	Unrestricted	27,050.00	
9200	Ending Fund Balance/Net Assets		(27,050.00)
		115,414.00	(115,414.00)

Remarks: Record current year change related to GASB 68 reporting.

Adjustment Number: **17** Column: GASB 75

9110	Prior Period Adjustments	55,956.00	
2585	Net OPEB Liability		(65,146.00)
1998	Deferred Resource Outflow Related to OPEB	5,821.00	
6100	Administration	450.00	
6110	Municipal Court	71.00	
6120	Streets	473.00	
6130	Police	1,753.00	

Adjustments to Worksheet by Adjustment Number
FY 2018

City of Devine

2/14/2019

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
6140	Health & Sanitation	99.00		
6150	Animal Control	85.00		
6190	Parks & Recreation	123.00		
6210	Library	13.00		
6220	Airport	59.00		
6230	Community Center	142.00		
6240	Code Enforcement	10.00		
6200	Golf Course	9.00		
6200	Golf Course	82.00		
3900	Unrestricted	59,325.00		
9200	Ending Fund Balance/Net Assets		(59,325.00)	
		124,471.00	(124,471.00)	

Remarks: Record GASB 75 balances and changes for the year.

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2018

**CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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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, 2018, and the related notes to the financial statements, which collectively comprise the City of Devine, Texas 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, 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.

Change in Accounting Principle

As described in Note I to the financial statements, in 2018, the City adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. It is a single-employer, defined benefit Other Post-Employment Benefit (OPEB) plan. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the City’s Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the City’s OPEB. Exhibit B-1 discloses the adjustment to the City’s Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, the schedule of changes in net pension liability and the related ratios, the schedule of contributions, and the schedule of changes in the total OPEB liability and related ratios on pages 4-10 and 40-43 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 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 15, 2019, on our consideration of the City of Devine, Texas 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 internal control over financial reporting and compliance.

Coleman Herbst & Company, LLP

Certified Public Accountants
Uvalde, Texas
February 15, 2019

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, 2018. 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 \$7,105,876 at September 30, 2018, an increase of \$286,705 from day to day operations and a decrease of \$89,026 due to the implementation of GASB 75 in the current year.

* During the year, the City's revenue was \$5,503,370 as reflected below:

		Governmental Activities		
		Current	Prior	
		Year	Year	Change
a)	Taxes	\$ 2,392,594	\$ 2,277,418	\$ 115,176
b)	Charges for Services	1,041,761	979,779	61,982
c)	Investment Earnings	11,645	7,576	4,069
d)	Grants and Contributions	47,250	131,737	(84,487)
e)	Other	42,758	6,078	36,680
	Sub-total	<u>\$ 3,536,008</u>	<u>\$ 3,402,588</u>	<u>\$ 133,420</u>

		Business-type Activities		
		Current	Prior	
		Year	Year	Change
f)	Charges for Services	\$ 1,909,664	\$ 1,698,135	\$ 211,529
g)	Investment Earnings	21,698	13,294	8,404
h)	Grants	-	184,304	(184,304)
i)	Others	36,000	36,000	-
	Sub-total	<u>\$ 1,967,362</u>	<u>\$ 1,931,733</u>	<u>\$ 35,629</u>
	Total Revenue	<u><u>\$ 5,503,370</u></u>	<u><u>\$ 5,334,321</u></u>	<u><u>\$ 169,049</u></u>

* During the year, the City's expenses were \$5,216,665 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Administration	\$ 360,922	\$ 485,826	\$ (124,904)
b) Municipal Court	94,079	101,783	(7,704)
c) Street	443,450	488,915	(45,465)
d) Police	1,094,363	1,284,109	(189,746)
e) Health and Sanitation	751,708	748,625	3,083
f) Animal Control	96,293	139,536	(43,243)
g) Parks and Recreation	83,073	21,018	62,055
h) Golf Course	198,311	-	198,311
i) Library	127,653	156,254	(28,601)
j) Airport	59,830	30,356	29,474
k) Community Center	10,315	15,214	(4,899)
l) Code Enforcement	80,096	75,599	4,497
m) Bond Interest	4,660	4,433	227
Sub-total	<u>\$ 3,404,753</u>	<u>\$ 3,551,668</u>	<u>\$ (146,915)</u>

Business-type Activities			
	Current Year	Prior Year	Change
a) Gas Fund	\$ 1,811,912	\$ 2,067,581	\$ (255,669)
Sub-total	<u>\$ 1,811,912</u>	<u>\$ 2,067,581</u>	<u>\$ (255,669)</u>
Total Expenses	<u>\$ 5,216,665</u>	<u>\$ 5,619,249</u>	<u>\$ (402,584)</u>

* The general fund reported a fund balance this year of \$1,981,039, a decrease of \$271,595 from the prior year.

* Revenues were \$10,640 below budget and expenditures were \$168,318 above budget.

* The general fund transferred \$7,656 to the home program fund, \$322 to the proprietary fund and the debt service fund transferred \$1,649 during the year to the general fund.

* The City's combined net position was \$7,105,876 at September 30, 2018, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 2,555,272	\$ 2,652,481	\$ (97,209)
Capital and non-current assets	1,062,429	648,271	414,158
Total Assets	\$ 3,617,701	\$ 3,300,752	\$ 316,949
Deferred outflow of resources	\$ 324,542	\$ 268,938	\$ 55,604
Current liabilities	\$ 307,259	\$ 243,422	\$ 63,837
Long term liabilities	1,861,964	1,722,782	139,182
Total Liabilities	\$ 2,169,223	\$ 1,966,204	\$ 203,019
Deferred inflow of resources	\$ 136,244	\$ 41,687	\$ 94,557
Net position:			
Net investment in capital assets	\$ 856,862	\$ 528,271	\$ 328,591
Restricted	169,888	57,837	112,051
Unrestricted	610,026	975,691	(365,665)
Total Net Position	\$ 1,636,776	\$ 1,561,799	\$ 74,977
	Business-type Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 3,777,424	\$ 3,441,678	\$ 335,746
Capital and non-current assets	4,185,554	4,543,631	(358,077)
Total Assets	\$ 7,962,978	\$ 7,985,309	\$ (22,331)
Deferred outflow of resources	\$ 208,280	\$ 175,418	\$ 32,862
Current liabilities	\$ 458,170	\$ 459,250	\$ (1,080)
Long term liabilities	2,177,355	2,340,668	(163,313)
Total Liabilities	\$ 2,635,525	\$ 2,799,918	\$ (164,393)
Deferred inflow of resources	\$ 66,633	\$ 14,411	\$ 52,222
Net position:			
Net investment in capital assets	\$ 2,870,554	\$ 3,033,631	\$ (163,077)
Unrestricted	2,598,546	2,312,767	285,779
Total Net Position	\$ 5,469,100	\$ 5,346,398	\$ 122,702
Combined Total Net Position	\$ 7,105,876	\$ 6,908,197	\$ 197,679

Capital Assets and Debt Administration

Capital Assets

Capital assets for the City at fiscal year end September 30, 2018 amounted to \$5,247,983. 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

	Governmental Activities		Business-type Activities	
	Current Year		Prior Year	
Land	\$ 147,165	\$ 215,714	\$ 147,165	\$ 215,714
Building and improvements	1,076,051	2,968	745,897	2,968
Equipment	1,413,431	1,573,280	1,407,189	1,572,145
Equipment under capital lease	226,514	-	-	-
Water and utility improvements	2,744,961	11,191,456	2,744,961	11,166,045
Water rights	-	402,500	-	402,500
Totals at historical cost	5,608,122	13,385,918	5,045,212	13,359,372
Total accumulated depreciation	(4,545,693)	(9,200,364)	(4,396,941)	(8,815,741)
Net capital assets	<u>\$ 1,062,429</u>	<u>\$ 4,185,554</u>	<u>\$ 648,271</u>	<u>\$ 4,543,631</u>

Long-term Debt

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

City's Long-Term Debt

	Governmental Activities		Business-type Activities	
	Current Year		Prior Year	
General Obligation Bonds	\$ -	\$ 1,315,000	\$ 120,000	\$ 1,510,000
Capital Lease Obligations	205,567	-	-	-
Totals	<u>\$ 205,567</u>	<u>\$ 1,315,000</u>	<u>\$ 120,000</u>	<u>\$ 1,510,000</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, 2018

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,023,085	\$ 3,298,055	\$ 5,321,140
Accounts Receivable, Net	505,092	249,083	754,175
Due from Other Governments	8,233	-	8,233
Due from Other Funds	1,701	(1,701)	-
Prepaid Items	17,161	3,051	20,212
Restricted Assets:			
Cash and Cash Equivalents	-	228,936	228,936
Capital Assets:			
Land	147,165	215,714	362,879
Buildings, Net	369,904	-	369,904
Improvements other than Buildings, Net	153,842	-	153,842
Furniture and Equipment, Net	172,554	3,676,607	3,849,161
Other Assets, Net	218,964	293,233	512,197
Total Assets	<u>3,617,701</u>	<u>7,962,978</u>	<u>11,580,679</u>
DEFERRED OUTFLOW OF RESOURCES			
Related to Pension Plan	318,721	204,840	523,561
Related to OPEB	5,821	3,440	9,261
Total Deferred Outflows of Resources	<u>324,542</u>	<u>208,280</u>	<u>532,822</u>
LIABILITIES			
Accounts Payable	163,706	23,030	186,736
Accrued Liabilities	143,553	65,816	209,369
Payable from Restricted Assets	-	369,324	369,324
Noncurrent Liabilities:			
Debt Due Within One Year	41,169	-	41,169
Debt Payable - Noncurrent	164,398	1,120,000	1,284,398
Net Pension Liability	1,591,251	1,018,854	2,610,105
Net OPEB Liability	65,146	38,501	103,647
Total Liabilities	<u>2,169,223</u>	<u>2,635,525</u>	<u>4,804,748</u>
DEFERRED INFLOW OF RESOURCES			
Related to Pension Plan	108,465	66,633	175,098
Related to Paving Assessments	7,684	-	7,684
Related to Municipal Court	20,095	-	20,095
Total Deferred Inflows of Resources	<u>136,244</u>	<u>66,633</u>	<u>202,877</u>
NET POSITION			
Net Investment in Capital Assets	856,862	2,870,554	3,727,416
Restricted for:			
Restricted for Debt Service	30,865	-	30,865
Restricted for Other Purposes	139,023	-	139,023
Unrestricted	610,026	2,598,546	3,208,572
Total Net Position	<u>\$ 1,636,776</u>	<u>\$ 5,469,100</u>	<u>\$ 7,105,876</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, 2018

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Administration	\$ 360,922	\$ -	\$ 9,828
Municipal Court	94,079	145,680	-
Streets	443,450	-	25,000
Police	1,094,363	-	300
Health & Sanitation	751,708	812,661	-
Animal Control	96,293	528	-
Parks & Recreation	83,073	-	-
Golf Course	198,311	9,565	11,224
Library	127,653	13,099	898
Airport	59,830	8,630	-
Community Center	10,315	8,800	-
Code Enforcement	80,096	42,798	-
Interest	4,660	-	-
Total Governmental Activities	3,404,753	1,041,761	47,250
BUSINESS-TYPE ACTIVITIES:			
Sewer Water Fund	1,811,912	1,909,664	-
Total Business-Type Activities	1,811,912	1,909,664	-
TOTAL PRIMARY GOVERNMENT	\$ 5,216,665	\$ 2,951,425	\$ 47,250

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Other Taxes

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

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
\$ (351,094)	\$ -	\$ (351,094)
51,601	-	51,601
(418,450)	-	(418,450)
(1,094,063)	-	(1,094,063)
60,953	-	60,953
(95,765)	-	(95,765)
(83,073)	-	(83,073)
(177,522)	-	(177,522)
(113,656)	-	(113,656)
(51,200)	-	(51,200)
(1,515)	-	(1,515)
(37,298)	-	(37,298)
(4,660)	-	(4,660)
<u>(2,315,742)</u>	<u>-</u>	<u>(2,315,742)</u>
-	97,752	97,752
-	97,752	97,752
<u>(2,315,742)</u>	<u>97,752</u>	<u>(2,217,990)</u>
691,399	-	691,399
112,586	-	112,586
1,588,609	-	1,588,609
42,758	36,000	78,758
11,645	21,698	33,343
(322)	322	-
<u>2,446,675</u>	<u>58,020</u>	<u>2,504,695</u>
130,933	155,772	286,705
1,561,799	5,346,398	6,908,197
(55,956)	(33,070)	(89,026)
<u>\$ 1,636,776</u>	<u>\$ 5,469,100</u>	<u>\$ 7,105,876</u>

CITY OF DEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,958,862	\$ 64,223	\$ 2,023,085
Taxes Receivable	78,547	14,750	93,297
Allowance for Uncollectible Taxes (credit)	(21,364)	(2,134)	(23,498)
Accounts Receivable, Net	432,090	3,203	435,293
Due from Other Governments	-	8,233	8,233
Due from Other Funds	1,701	109,756	111,457
Prepaid Items	17,161	-	17,161
Total Assets	<u>\$ 2,466,997</u>	<u>\$ 198,031</u>	<u>\$ 2,665,028</u>
LIABILITIES			
Accounts Payable	\$ 157,961	\$ 5,745	\$ 163,706
Accrued Liabilities	143,061	-	143,061
Due to Other Funds	99,974	9,782	109,756
Total Liabilities	<u>400,996</u>	<u>15,527</u>	<u>416,523</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	57,183	12,616	69,799
Unavailable Revenue - Paving Assessments	7,684	-	7,684
Unavailable Revenue - Municipal Court	20,095	-	20,095
Total Deferred Inflows of Resources	<u>84,962</u>	<u>12,616</u>	<u>97,578</u>
FUND BALANCES			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	30,865	30,865
Other Restricted Fund Balance	-	139,023	139,023
Unassigned Fund Balance	1,981,039	-	1,981,039
Total Fund Balances	<u>1,981,039</u>	<u>169,888</u>	<u>2,150,927</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,466,997</u>	<u>\$ 198,031</u>	<u>\$ 2,665,028</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, 2018

Total Fund Balances - Governmental Funds	\$	2,150,927
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 \$648,271, and long-term debt of \$(120,000), in the governmental activities is to increase net position.		528,271
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 2018 capital outlays of \$562,910, and debt principal payments of \$129,733, is to increase net position.		692,643
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$(1,591,251), a deferred resource inflow of \$(108,465), and a deferred resource outflow of \$318,721. The net effect of this recognition is to decrease net position.		(1,380,995)
Included in the items related to debt is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$(65,146), and a deferred resource outflow of \$5,821. The net effect of this recognition is to decrease net position.		(59,325)
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(148,752)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable tax revenue of \$69,799 as revenue, reclassifying the proceeds of a capital lease of \$(215,300) as an increase in long term debt, and recognizing accrued interest of \$(492). The net effect of these reclassifications and recognitions is to decrease net position.		(145,993)
Net Position of Governmental Activities	\$	1,636,776

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 2,162,349	\$ 238,008	\$ 2,400,357
Licenses and Permits	41,495	-	41,495
Intergovernmental Revenue	-	9,494	9,494
Services & Charges	819,125	-	819,125
Fees/Fines	181,151	-	181,151
Interest Earned	11,532	113	11,645
Grants/Contributions	37,756	-	37,756
Other Revenue	42,748	-	42,748
Total Revenues	<u>3,296,156</u>	<u>247,615</u>	<u>3,543,771</u>
EXPENDITURES:			
Current:			
Administration	320,940	18,570	339,510
Municipal Court	93,436	-	93,436
Streets	409,280	-	409,280
Police	1,016,308	1,321	1,017,629
Health & Sanitation	744,207	-	744,207
Animal Control	95,529	-	95,529
Parks & Recreation	77,465	-	77,465
Golf Course	188,871	-	188,871
Library	127,535	-	127,535
Airport	37,358	-	37,358
Community Center	10,090	-	10,090
Code Enforcement	80,012	-	80,012
Capital Outlay	562,910	-	562,910
Debt Service:			
Principal	9,733	120,000	129,733
Interest	3,048	1,680	4,728
Total Expenditures	<u>3,776,722</u>	<u>141,571</u>	<u>3,918,293</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,566)</u>	<u>106,044</u>	<u>(374,522)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Capital Leases	215,300	-	215,300
Transfers In	1,649	7,656	9,305
Transfers Out (Use)	(7,978)	(1,649)	(9,627)
Total Other Financing Sources (Uses)	<u>208,971</u>	<u>6,007</u>	<u>214,978</u>
Net Change in Fund Balances	(271,595)	112,051	(159,544)
Fund Balance - October 1 (Beginning)	<u>2,252,634</u>	<u>57,837</u>	<u>2,310,471</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,981,039</u>	<u>\$ 169,888</u>	<u>\$ 2,150,927</u>

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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	(159,544)
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 2018 capital outlays of \$562,910, and debt principal payments of \$129,733, is to increase net position.		692,643
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.		(148,752)
The reporting of GASB 68 for the current year resulted in an increase in the net pension liability of \$11,531, an increase in deferred resource inflows of \$(88,364), and an increase in deferred resource outflows of \$49,783. The effect of these items is to decrease net position.		(27,050)
The reporting of GASB 75 for the current year resulted an increase in the net OPEB liability of \$(9,190), and an increase in deferred resource outflows of \$5,821. The effect of these items is to decrease net position.		(3,369)
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 \$(7,763), reclassifying capital lease proceeds of \$(215,300), and the change in accrued interest of \$68. The net effect of these reclassifications and recognitions is to decrease net position.		(222,995)
Change in Net Position of Governmental Activities	\$	130,933

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, 2018

	Business Type Activities	
	Sewer	Water
	Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	3,298,055
Restricted Assets - Current:		
Cash and Cash Equivalents		228,936
Interest Receivable		11,635
Accounts Receivable, net		237,448
Prepaid Items		3,051
Total Current Assets		<u>3,779,125</u>
Noncurrent Assets:		
Capital Assets:		
Land		215,714
Equipment, net		3,676,607
Water Rights, net		293,233
Total Noncurrent Assets		<u>4,185,554</u>
Total Assets		<u>7,964,679</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pension Plan		204,840
Deferred Outflow Related to OPEB		3,440
Total Deferred Outflows of Resources		<u>208,280</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable		23,030
Accrued Liabilities		65,816
Due to Other Funds		1,701
Payable from Restricted Assets:		
Customer Deposits		174,324
Bonds		195,000
Total Current Liabilities		<u>459,871</u>
Noncurrent Liabilities:		
Bonds Payable - Noncurrent		1,120,000
Net Pension Liability		1,018,854
Net OPEB Liability		38,501
Total Noncurrent Liabilities		<u>2,177,355</u>
Total Liabilities		<u>2,637,226</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pension Plan		66,633
Total Deferred Inflows of Resources		<u>66,633</u>
NET POSITION		
Net Investment in Capital Assets		2,870,554
Unrestricted		2,598,546
Total Net Position	\$	<u><u>5,469,100</u></u>

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, 2018

EXHIBIT D-2

	Business-Type Activities
	Sewer Water Fund
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 1,909,664
Other Revenue	36,000
Total Operating Revenues	1,945,664
OPERATING EXPENSES:	
Personnel Services	729,966
Purchased Services	351,867
Other Operating Costs	345,456
Depreciation	384,623
Total Operating Expenses	1,811,912
Operating Income	133,752
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	21,698
Total NonOperating Revenue (Expenses)	21,698
Income Before Transfers	155,450
Transfers In	322
Change in Net Position	155,772
Total Net Position - October 1 (Beginning)	5,346,398
Prior Period Adjustment	(33,070)
Total Net Position - September 30 (Ending)	\$ 5,469,100

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, 2018

	Business-Type Activities
	Sewer
	Water
	Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,882,780
Cash Payments for Personnel Services	(738,331)
Cash Payments for Purchased Services	(352,003)
Cash Payments for Other Operating Expenses	(385,135)
Net Cash Provided by Operating Activities	<u>407,311</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfer In	<u>322</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(26,546)
Bond Principal Paid	(195,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(221,546)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>15,395</u>
Net Increase in Cash and Cash Equivalents	201,482
Cash and Cash Equivalents at the Beginning of the Year	<u>3,325,509</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 3,526,991</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income	\$ 133,752
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	384,623
GASB 68 & GASB 75 Adjustment	17,977
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(62,884)
Decrease (Increase) in Prepaid Expenses	6,813
Increase (Decrease) in Accounts Payable	6,677
Increase (Decrease) in Accrued Liabilities	(8,365)
Increase (Decrease) in Due to Other Funds	(71,890)
Increase (Decrease) in Customer Deposits	608
Net Cash Provided by Operating Activities	<u>\$ 407,311</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash & Cash Equivalents - Statement of Net Assets	\$ 3,298,055
Restricted Cash - Statement of Net Assets	<u>228,936</u>
Total Cash and Cash Equivalents	<u>\$ 3,526,991</u>

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

CITY OF DEVINE, TEXAS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Devine (the “City”) is a municipal agency operating under the applicable laws and regulations of the State of Texas. It is governed by a six member City Council elected by registered voters of the City. The City prepares its general purpose financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Texas Municipal Retirement System (TMRS) has determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TMRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits. The fiduciary net position of the Texas Municipal Retirement System Supplemental Death Benefit Funds (SDBF) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from SDBF net position. Payments are recognized when due and payable in accordance with the benefit terms.

Fair Value. As of September 30, 2018, the City of Devine, Texas retrospectively/prospectively applied Government Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

Because the City Council is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the City is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

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 of Devine’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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. The “grants and contributions” column indicates amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a 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 froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues are nonoperating.

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, as do the proprietary fund financial statements. 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).

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 year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State or Federal Government 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

The General Fund – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

Special Revenue Funds – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Major Proprietary Fund:

Enterprise Fund – The City’s activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in the Enterprise Funds. The City’s major Enterprise Fund is the Water and Sewer System Fund.

E. FUND BALANCE POLICY

The City reports fund balance for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or “must be maintained in tact” and therefore will never convert to cash, such as inventories of supplies. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the City Council. However, the City Council has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the City Council may commit fund balances by a majority vote in a scheduled meeting. The Council’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Council commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the City does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Council.

The City Council may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Council may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Council by majority vote in a scheduled meeting. The Council has delegated this authority to the City Administrator.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in the same order.

Restricted	
Debt service	\$ 30,865
Lodging Tax	18,534
TCOLE	3,948
TIF Fund	111,554
Home Program	4,987
Total Restricted	<u>169,888</u>
Unassigned	<u>1,981,039</u>
Total Fund Balances	<u>\$ 2,150,927</u>

F. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of six months or less when purchased.
2. The City records purchases of supplies as expenditures.
3. The City records its investments at cost, which approximates fair value.
4. Deferred inflows accounted for on the balance sheet relates to uncollected property taxes less the amount of doubtful accounts, as well as paving assessments and municipal court revenue.
5. The City provides risk management obligations by carrying commercial insurance. General liability insurance is obtained from a commercial insurance carrier.
6. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. 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.
8. Capital assets, which include land, buildings, furniture and equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7-27
Utility Improvements	4-40
Equipment	3-25
Water Rights	50

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The City Council adopts an "appropriated budget" for the General Fund. The City is required to present adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit E-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Thirty to sixty days prior to the beginning of each fiscal year, the City Secretary submits to the City Council a proposed budget prepared on the modified accrual basis which is consistent with generally accepted accounting principles at the department level for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance not later than 15 days prior to the beginning of the fiscal year.
4. The budget was amended by the City Council during the year.

B. EXPENDITURES IN EXCESS OF BUDGETED AMOUNT

As noted on Exhibit E-1, the general fund had four categories in excess of the budgeted amount for \$255,457.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

The City had funds on deposit at year-end of \$5,472,084 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of September 30, 2018, the following are the City's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>			<u>Credit Rating</u>
		<u>Less than 1</u>	<u>1-10</u>	<u>More than 10</u>	
Cash and Cash Equivalents	\$ 5,543,512	\$ 5,543,512	\$ -	\$ -	N/A
Investment Pools					
First Public	6,564	6,564	-	-	AAAm
Total Cash and Cash Equivalents	<u>\$ 5,550,076</u>	<u>\$ 5,550,076</u>	<u>\$ -</u>	<u>\$ -</u>	

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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 entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated now lower than "AA-" or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City of Devine, Texas is in substantial compliance with the requirements of the Act and with local policies.

The investment pools used by the City are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The City's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

Additional policies and contractual provisions governing deposits and investments of City of Devine, Texas are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to those allowed by Government Code 2256. As of September 30, 2018, the City's investments were limited to investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City requires counterparties to register the securities in the name of the City's custodian and hand them over to the City or its designated agent. All of the securities are held by the City's agent.

Concentration of Credit Risk To limit the risk of loss, the City's investment portfolio is diversified in terms of investment instruments, maturity schedule, and financial institutions.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City's investment portfolio has various maturities.

Foreign Currency Risk for Investment The City has no foreign currency investments.

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of September 30, 2018, the City of Devine, Texas has no investments measured at fair value or Net Asset Value (NAV) per Share (or its equivalent).

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with the applicable Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they are expected to be collected during a 60-day period after the close of the city fiscal year. The City considers all delinquent taxes as deferred inflows.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund transfers at September 30, 2018 consisted of the following amounts:

Transfers From General Fund To:

Proprietary Funds	\$	322
Non-Major Funds		<u>7,656</u>
Total Transfer From General Fund	\$	<u>7,978</u>

Transfers From Non-Major Funds To:

General Fund	\$	<u>1,649</u>
Total Transfers From Non-Major Funds	\$	<u>1,649</u>

Interfund transfers are in support of operations.

Interfund balances at September 30, 2018 are as follows:

Due to General Fund From:

Proprietary Funds	\$	1,701
Non-Major Funds		<u>-</u>
Total Due to General Fund	\$	<u>1,701</u>

Due to Non-Major Funds From:

General Fund	\$	99,974
Intrafund		<u>9,782</u>
Total Due to Non-Major Funds	\$	<u>109,756</u>

Interfund balances are in support of operations.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2018 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 78,547	\$ -	\$ 1,701	\$ 432,090	\$ 512,338
Other Funds	14,750	8,233	109,756	3,203	135,942
Total Governmental Activities	<u>\$ 93,297</u>	<u>\$ 8,233</u>	<u>\$ 111,457</u>	<u>\$ 435,293</u>	<u>\$ 648,280</u>
Amount not scheduled for collection during subsequent year	<u>\$ 23,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,498</u>
Business-type Activities:					
Proprietary Funds	\$ -	\$ -	\$ -	\$ 249,083	\$ 249,083
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,083</u>	<u>\$ 249,083</u>

Payables at September 30, 2018 were as follows:

	Accounts Payables	Loans, Leases and Bonds Payable Current Year	Due to Other Funds	Accrued Liabilities	Other	Total Payables
Governmental Activities:						
General Fund	\$ 157,961	\$ -	\$ 99,974	\$ 143,061	\$ -	\$ 400,996
Other Funds	5,745	-	9,782	-	-	15,527
Total Governmental Activities	<u>\$ 163,706</u>	<u>\$ -</u>	<u>\$ 109,756</u>	<u>\$ 143,061</u>	<u>\$ -</u>	<u>\$ 416,523</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:						
Proprietary Funds	\$ 23,030	\$ 195,000	\$ 1,701	\$ 65,816	\$ 174,324	\$ 459,871
Total Business-type Activities	<u>\$ 23,030</u>	<u>\$ 195,000</u>	<u>\$ 1,701</u>	<u>\$ 65,816</u>	<u>\$ 174,324</u>	<u>\$ 459,871</u>

F. CAPITAL ASSETS ACTIVITIES

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 147,165	\$ -	\$ -	\$ 147,165
Buildings and improvements	745,897	330,154	-	1,076,051
Utility improvements	2,744,961	-	-	2,744,961
Equipment	1,407,189	6,242	-	1,413,431
Equipment under capital lease	-	226,514	-	226,514
Total at historical cost	<u>5,045,212</u>	<u>562,910</u>	<u>-</u>	<u>5,608,122</u>
Less accumulated depreciation				
Buildings and improvements	(686,741)	(19,406)	-	(706,147)
Utility improvements	(2,559,017)	(32,102)	-	(2,591,119)
Equipment	(1,151,183)	(89,694)	-	(1,240,877)
Equipment under capital lease	-	(7,550)	-	(7,550)
Total accumulated depreciation	<u>(4,396,941)</u>	<u>(148,752)</u>	<u>-</u>	<u>(4,545,693)</u>
Governmental activities capital assets, net	<u>\$ 648,271</u>	<u>\$ 414,158</u>	<u>\$ -</u>	<u>\$ 1,062,429</u>
Business-type Activities				
Land	\$ 215,714	-	-	215,714
Buildings	2,968	-	-	2,968
Utility improvements	11,166,045	25,411	-	11,191,456
Equipment	1,572,145	1,135	-	1,573,280
Water rights	402,500	-	-	402,500
Total at historical cost	<u>13,359,372</u>	<u>26,546</u>	<u>-</u>	<u>13,385,918</u>
Accumulated depreciation	<u>(8,815,741)</u>	<u>(384,623)</u>	<u>-</u>	<u>(9,200,364)</u>
Business-type activities capital assets, net	<u>\$ 4,543,631</u>	<u>\$ (358,077)</u>	<u>\$ -</u>	<u>\$ 4,185,554</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 17,351
Police	60,910
Streets	29,900
Health and Sanitation	6,607
Park and Recreation	4,493
Golf	7,550
Airport	21,941
Total Depreciation Expense	<u>\$ 148,752</u>

G. LONG-TERM DEBT

The City had the following changes in long-term debt outstanding for the year ended September 30, 2018:

	Original Amount	Interest Rates	Balance Outstanding 10/1/2017	Issued	Retirement	Balance Outstanding 9/30/2018	Due Within One Year
<u>Governmental Activities</u>							
<u>Certificate of Obligation</u>							
2011 General Obligation							
Refunding Bonds	\$ 755,000	2.80%	\$ 120,000	\$ -	\$ (120,000)	\$ -	\$ -
<u>Capital Lease Obligation</u>							
John Deere Financial	\$ 226,514	5.75%	-	215,300	(9,733)	205,567	41,169
Total Governmental Activities			<u>\$ 120,000</u>	<u>\$ 215,300</u>	<u>\$ (129,733)</u>	<u>\$ 205,567</u>	<u>\$ 41,169</u>
<u>Business-type Activities</u>							
Revenue Bonds							
2011 General Obligation							
Refunding Bonds	\$ 480,000	2.80%	\$ 180,000	\$ -	\$ 50,000	\$ 130,000	\$ 45,000
2013 General Obligation							
Refunding Bonds	\$ 1,840,000	1.27% 3.12%	1,330,000	-	145,000	1,185,000	150,000
Total Business-type Activities			<u>\$ 1,510,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 1,315,000</u>	<u>\$ 195,000</u>

Annual debt service requirements as of September 30, 2018 are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 41,169	\$ 9,958	\$ 51,127	\$ 195,000	\$ 30,491	\$ 225,491
2020	42,742	8,385	51,127	200,000	26,612	226,612
2021	45,266	5,861	51,127	200,000	22,293	222,293
2022	47,938	3,189	51,127	170,000	18,005	188,005
2023	28,452	1,372	29,824	175,000	13,637	188,637
2024-2025	-	-	-	375,000	11,423	386,423
Total	<u>\$ 205,567</u>	<u>\$ 28,765</u>	<u>\$ 234,332</u>	<u>\$ 1,315,000</u>	<u>\$ 122,461</u>	<u>\$ 1,437,461</u>

Long-term debt of the City consists of various series of general obligation bonds, revenue bonds and capital leases. General obligation bonds are payable from a levy of ad valorem taxes upon all taxable property within the City and from certain net revenues derived from the operation of the City's water and sewer system. Revenue bonds are generally payable from pledged revenues generated by the water and sewer fund. Capital leases are payable from revenues generated by the City's governmental activities and the levy of ad valorem taxes. The debenture agreement for water and sewer bonds require that funds be available for 1/12th of the principal and 1/6th of the interest requirements of the next fiscal year.

Interest expense for the year was \$4,728 for governmental activities and \$33,927 for business-type activities.

H. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Devine participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension 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's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments 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.

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	14
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>40</u>
	65

C. Contributions

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

Employees for the City of Devine were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Devine were 16.13% and 16.37% in calendar years 2018 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2018 were \$291,567 and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.0% 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 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 by scale BB to account for future mortality improvements. For disabled annuitants, the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013 in conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). 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 in fiscal year 2018 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 Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at 12/31/2016	\$ 5,269,361	\$ 2,640,911	\$ 2,628,450
Changes for the year:			
Service Cost	205,888		205,888
Interest	357,395		357,395
Change of benefit terms	-		-
Difference between expected and actual experience	169,723		169,723
Changes of assumptions	-		-
Contributions - employer	-	282,988	(282,988)
Contributions - employee	-	103,722	(103,722)
Net Investment Income	-	366,634	(366,634)
Benefit payments, including refunds of employee contributions	(155,138)	(155,138)	-
Administrative expense	-	(1,897)	1,897
Other Charges	-	(96)	96
Net Changes	\$ 577,868	\$ 596,213	\$ (18,345)
Balance at 12/31/2017	\$ 5,847,229	\$ 3,237,124	\$ 2,610,105

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$3,543,007	\$2,610,105	\$1,847,416

Pension Plan Fiduciary Net Position

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

E. 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 \$331,918.

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	\$ 215,438	\$ 24,179
Changes in actuarial assumptions	26,795	-
Net difference between projected and actual investment earnings	63,474	150,919
Contributions subsequent to the measurement date	217,854	-
Total	\$ 523,561	\$ 175,098

\$217,854 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 48,624
2019	43,844
2020	20,433
2021	890
2022	16,818
Thereafter	-

I. DEFINED BENEFIT OPEB PLANS

A. Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). As such the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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

B. Benefits Provided

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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	15
Inactive employees entitled to but not yet receiving benefits	2
Active employees	40
	57

C. Total OPEB Liability

The City's total OPEB liability of \$103,647 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related cost	\$0
Administrative expense	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplies by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplies by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor

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

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

Changes in the total OPEB liability

	Total OPEB Liability
Balance at 12/31/2016	\$ 89,026
Changes for the year:	
Service Cost	3,457
Interest	3,424
Change of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	8,086
Benefit payments**	(346)
Net Changes	\$ 14,621
Balance at 12/31/2017	\$ 103,647

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

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$124,185	\$103,647	\$87,349

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$8,137.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	6,830	-
Contributions made subsequent to the measurement date	2,431	-
Total	\$ 9,261	\$ -

\$2,431 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2018	\$ 1,256
2019	1,256
2020	1,256
2021	1,256
2022	1,256
Thereafter	550

J. ECONOMIC DEPENDENCY

The City of Devine has significant economic dependency upon the citizens of the City of Devine for both tax revenue and utility fund revenue.

K. CONTINGENCIES

The City participates in various state and federal grant programs which are governed by certain rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received and the collectability of any related receivable at September 30, 2018 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statement for such contingencies.

L. LITIGATION

The City's legal counsel advises that there is no pending or threatened litigation involving the City as of September 30, 2018.

M. SUBSEQUENT EVENTS

During the 2018-2019 fiscal year, the City will begin issuing Utility System Revenue Bonds, Series 2018A for \$2,755,000, Utility System Revenue Bonds, Series 2018B for \$6,645,000, and TWDB Principal Forgiveness Agreement for \$500,000. These proceeds will be used for utility system renovations.

The City is also in the process of acquiring the local golf course through a combination of debt assumptions and contributions.

N. PRIOR PERIOD ADJUSTMENTS

During the fiscal year 2018, the City adopted GASB Statement No. 75 for Accounting and Reporting for OPEB. With GASB 75, the City must assume their OPEB Liability for the Supplemental Death Benefits Fund (SDBF) of the Texas Municipal Retirement System. Adoption of GASB 75 required prior adjustments to report the effect of GASB 75 retroactively. The amount of the prior period adjustments are as follows:

<u>Reported By</u>	<u>Prior Period Adjustment</u>	<u>Restated Beginning Net Position</u>
Governmental Activities	\$ 55,956	\$ 1,505,843
Sewer and Water	<u>33,070</u>	<u>5,313,328</u>
Total	<u>\$ 89,026</u>	<u>\$ 6,819,171</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DEVINE, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,174,182	\$ 2,224,633	\$ 2,162,349	\$ (62,284)
Licenses and Permits	49,987	41,238	41,495	257
Services & Charges	809,788	818,742	819,125	383
Fees/Fines	145,018	185,062	181,151	(3,911)
Interest Earned	5,500	6,800	11,532	4,732
Grants/Contributions	25,302	25,300	37,756	12,456
Other Revenue	3,165	5,021	42,748	37,727
Total Revenues	3,212,942	3,306,796	3,296,156	(10,640)
EXPENDITURES:				
Current:				
Administration	332,223	315,682	320,940	(5,258)
Municipal Court	108,568	95,736	93,436	2,300
Streets	635,952	455,765	409,280	46,485
Police	1,038,021	1,023,930	1,016,308	7,622
Health & Sanitation	731,642	747,528	744,207	3,321
Animal Control	89,885	100,886	95,529	5,357
Parks & Recreation	15,185	79,327	77,465	1,862
Golf Course	-	202,161	188,871	13,290
Library	126,788	128,246	127,535	711
Airport	30,635	38,114	37,358	756
Community Center	11,702	10,626	10,090	536
Code Enforcement	83,372	84,911	80,012	4,899
Capital Outlay	8,969	325,492	562,910	(237,418)
Debt Service:				
Principal	-	-	9,733	(9,733)
Interest	-	-	3,048	(3,048)
Total Expenditures	3,212,942	3,608,404	3,776,722	(168,318)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(301,608)	(480,566)	(178,958)
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	-	215,300	215,300
Transfers In	-	-	1,649	1,649
Transfers Out (Use)	-	(7,656)	(7,978)	(322)
Total Other Financing Sources (Uses)	-	(7,656)	208,971	216,627
Net Change	-	(309,264)	(271,595)	37,669
Fund Balance - October 1 (Beginning)	2,252,634	2,252,634	2,252,634	-
Fund Balance - September 30 (Ending)	\$ 2,252,634	\$ 1,943,370	\$ 1,981,039	\$ 37,669

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability				
Service Cost	\$ 205,888	\$ 165,807	\$ 128,659	\$ 108,237
Interest (on the Total Pension Liability)	357,395	326,844	262,136	205,116
Changes of Benefit Terms	-0-	646,960	605,272	-0-
Difference between Expected and Actual Experience	169,723	65,984	(67,120)	(64,331)
Changes of Assumptions	-0-	-0-	53,414	-0-
Benefit Payments, including refunds of employee contributions	(155,138)	(96,994)	(62,081)	(37,770)
Net change in Total Pension Liability	\$ 577,868	\$ 1,108,601	\$ 1,054,520	\$ 211,252
Total Pension Liability - Beginning	5,269,361	4,160,760	3,106,240	2,894,988
Total Pension Liability - Ending	\$ 5,847,229	\$ 5,269,361	\$ 4,160,760	\$ 3,106,240
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 282,988	\$ 204,547	\$ 137,430	\$ 128,545
Contributions - Employee	103,722	82,164	79,715	72,789
Net Investment Income	366,634	155,456	3,161	107,125
Benefit Payments, including refunds of employee contributions	(155,138)	(96,994)	(62,081)	(37,770)
Administrative Expense	(1,897)	(1,754)	(1,925)	(1,118)
Other	(96)	(95)	(95)	(92)
Net Change in Plan Fiduciary Net Position	\$ 596,213	\$ 343,324	\$ 156,205	\$ 269,479
Plan Fiduciary Net Position - Beginning	2,640,911	2,297,587	2,141,381	1,871,902
Plan Fiduciary Net Position - Ending	\$ 3,237,124	\$ 2,640,911	\$ 2,297,586	\$ 2,141,381
C. Net Pension Liability				
	\$ 2,610,105	\$ 2,628,450	\$ 1,863,174	\$ 964,859
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability				
	55.36%	50.12%	55.22%	68.94%
E. Covered Payroll				
	\$ 1,728,698	\$ 1,643,285	\$ 1,719,860	\$ 1,455,779
F. Net Pension Liability as a Percentage of Covered Payroll				
	150.99%	159.95%	108.33%	66.28%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only four years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF DEVINE, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE FISCAL YEAR 2018

EXHIBIT E-3

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 291,567	\$ 262,836	\$ 197,955	\$ 128,545
Contributions in Relation to the Actuarially Determined Contributions	(291,567)	(262,836)	(197,955)	(128,545)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered Payroll	\$ 1,800,908	\$ 1,689,824	\$ 1,719,860	\$ 1,455,779
Contributions as a Percentage of Covered Payroll	16.19%	15.55%	11.51%	8.83%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF DEVINE, TEXAS
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
Total OPEB Liability	
Service Cost	\$ 3,457
Interest on the Total OPEB Liability	3,424
Changes of Benefit Terms	-0-
Difference between Expected and Actual Experience	-0-
Changes of Assumptions	8,086
Benefit Payments*	(346)
Net change in Total OPEB Liability	<u>14,621</u>
Total OPEB Liability - Beginning	89,026
Total OPEB Liability - Ending	<u>\$ 103,647</u>
Covered Payroll	\$ 1,728,698
Total OPEB Liability as a Percentage of Covered Payroll	6.00%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF DEVINE, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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:

Entry Age:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	28 years
Asset Valuation Method:	10 year smoothed market, 15% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 10.50% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan on benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplies by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

Notes: There were no benefit changes during the year

COMBINING AND INDIVIDUAL FUND STATEMENTS

CITY OF DEVINE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

	Lodging Tax Fund	TCLOE Fund	TIF Fund	Home Program Fund
ASSETS				
Cash and Cash Equivalents	\$ 15,699	\$ 4,073	\$ 1,850	\$ 1,954
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Accounts Receivable Net	3,203	-	-	-
Due from Other Governments	-	-	-	8,233
Due from Other Funds	-	-	109,756	-
Total Assets	<u>\$ 18,902</u>	<u>\$ 4,073</u>	<u>\$ 111,606</u>	<u>\$ 10,187</u>
LIABILITIES				
Accounts Payable	\$ 368	\$ 125	\$ 52	\$ 5,200
Due to Other Funds	-	-	-	-
Total Liabilities	<u>368</u>	<u>125</u>	<u>52</u>	<u>5,200</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	18,534	3,948	111,554	4,987
Total Fund Balances	<u>18,534</u>	<u>3,948</u>	<u>111,554</u>	<u>4,987</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 18,902</u>	<u>\$ 4,073</u>	<u>\$ 111,606</u>	<u>\$ 10,187</u>

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

Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 23,576	\$ 40,647	\$ 64,223
-	14,750	14,750
-	(2,134)	(2,134)
3,203	-	3,203
8,233	-	8,233
109,756	-	109,756
<u>\$ 144,768</u>	<u>\$ 53,263</u>	<u>\$ 198,031</u>
\$ 5,745	\$ -	\$ 5,745
-	9,782	9,782
<u>5,745</u>	<u>9,782</u>	<u>15,527</u>
-	12,616	12,616
-	12,616	12,616
-	30,865	30,865
139,023	-	139,023
<u>139,023</u>	<u>30,865</u>	<u>169,888</u>
<u>\$ 144,768</u>	<u>\$ 53,263</u>	<u>\$ 198,031</u>

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

	Lodging Tax Fund	TCLOE Fund	TIF Fund	Home Program Fund
REVENUES:				
Taxes:				
Taxes	\$ 11,010	\$ -	\$ 111,256	\$ -
Intergovernmental Revenue	-	1,261	-	8,233
Interest Earned	23	10	-	-
Total Revenues	<u>11,033</u>	<u>1,271</u>	<u>111,256</u>	<u>8,233</u>
EXPENDITURES:				
Current:				
Administration	6,116	-	1,552	10,902
Police	-	1,321	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>6,116</u>	<u>1,321</u>	<u>1,552</u>	<u>10,902</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,917</u>	<u>(50)</u>	<u>109,704</u>	<u>(2,669)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	7,656
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,656</u>
Net Change in Fund Balance	4,917	(50)	109,704	4,987
Fund Balance - October 1 (Beginning)	<u>13,617</u>	<u>3,998</u>	<u>1,850</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 18,534</u>	<u>\$ 3,948</u>	<u>\$ 111,554</u>	<u>\$ 4,987</u>

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

Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 122,266	\$ 115,742	\$ 238,008
9,494	-	9,494
33	80	113
<u>131,793</u>	<u>115,822</u>	<u>247,615</u>
18,570	-	18,570
1,321	-	1,321
-	120,000	120,000
-	1,680	1,680
<u>19,891</u>	<u>121,680</u>	<u>141,571</u>
<u>111,902</u>	<u>(5,858)</u>	<u>106,044</u>
7,656	-	7,656
-	(1,649)	(1,649)
<u>7,656</u>	<u>(1,649)</u>	<u>6,007</u>
119,558	(7,507)	112,051
<u>19,465</u>	<u>38,372</u>	<u>57,837</u>
<u>\$ 139,023</u>	<u>\$ 30,865</u>	<u>\$ 169,888</u>

FEDERAL SECTION

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INDEPENDENT AUDITOR'S 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

To Honorable Mayor
and Members of the City Council
City of Devine, 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 of Devine, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Devine, Texas'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.

Coleman Hunter + Company, LLP

Uvalde, Texas
February 15, 2019