

CITY OF DEVINE
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2019

**CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Table of Contents	1
	Independent Auditor's Report	2-3
	Management's Discussion and Analysis	4-10
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	11
B-1	Statement of Activities	12-13
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	14
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	16
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	18-19
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	20
D-3	Statement of Cash Flows	21
	Notes to the Financial Statements	22-41
	<u>Required Supplementary Information</u>	
E-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	42
E-2	Schedule of Changes in Net Pension Liability and Related Ratios	43-44
E-3	Schedule of Contributions	45-46
E-4	Schedule of Changes in the Total OPEB Liability and Related Ratios	47
	Notes to the Schedule of Contributions	48
	<u>Combining and Individual Statements</u>	
	Nonmajor Governmental Funds:	
F-1	Combining Balance Sheet	49-50
F-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51-52
	<u>Federal Section</u>	
	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 <i>Government Auditing Standards</i>	53-54

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305
www.colemanhortoncpa.com

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
DEREK L. WALKER, CPA
DUSTY R. ROUTH, CPA

TEL (830) 278-6276
FAX (830) 278-6868
chc@colemanhortoncpa.com

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 42 - 47 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 7, 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, Horton & Company, LLP

Certified Public Accountants
Uvalde, Texas
February 7, 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, 2019. 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 is 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 \$6,769,288 at September 30, 2019, a decrease of \$201,877 from day to day operations and a decrease of \$134,711 due to a prior period adjustment in the current year.
- * During the year, the City's revenue was \$6,548,483 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Taxes	\$ 2,397,762	\$ 2,392,594	\$ 5,168
b) Charges for Services	1,127,190	1,041,761	85,429
c) Investment Earnings	21,520	11,645	9,875
d) Grants and Contributions	425,297	47,250	378,047
e) Other	-	42,758	(42,758)
Sub-total	<u>\$ 3,971,769</u>	<u>\$ 3,536,008</u>	<u>\$ 435,761</u>

Business-type Activities			
	Current Year	Prior Year	Change
f) Charges for Services	\$ 2,364,193	\$ 1,909,664	\$ 454,529
g) Investment Earnings	212,521	21,698	190,823
h) Grants	-	-	-
i) Others	-	36,000	(36,000)
Sub-total	<u>\$ 2,576,714</u>	<u>\$ 1,967,362</u>	<u>\$ 609,352</u>
Total Revenue	<u>\$ 6,548,483</u>	<u>\$ 5,503,370</u>	<u>\$ 1,045,113</u>

* During the year, the City's expenses were \$6,750,360 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Administration	\$ 738,187	\$ 360,922	\$ 377,265
b) Municipal Court	85,983	94,079	(8,096)
c) Street	328,499	443,450	(114,951)
d) Police	1,145,146	1,094,363	50,783
e) Health and Sanitation	778,688	751,708	26,980
f) Animal Control	99,424	96,293	3,131
g) Parks and Recreation	40,515	83,073	(42,558)
h) Golf Course	1,114,653	198,311	916,342
i) Library	143,430	127,653	15,777
j) Airport	82,253	59,830	22,423
k) Community Center	13,188	10,315	2,873
l) Code Enforcement	87,343	80,096	7,247
m) Bond Interest	-	4,660	(4,660)
Sub-total	<u>\$ 4,657,309</u>	<u>\$ 3,404,753</u>	<u>\$ 1,252,556</u>

Business-type Activities			
	Current Year	Prior Year	Change
a) Sewer/Water Fund	\$ 2,093,051	\$ 1,811,912	\$ 281,139
Sub-total	<u>\$ 2,093,051</u>	<u>\$ 1,811,912</u>	<u>\$ 281,139</u>
Total Expenses	<u>\$ 6,750,360</u>	<u>\$ 5,216,665</u>	<u>\$ 1,533,695</u>

* The general fund reported a fund balance this year of \$1,325,168, a decrease of \$655,871 from the prior year.

* Revenues were \$10,975 above budget and expenditures were \$55,662 below budget.

* The general fund transferred \$66,953 to the home program fund during the year.

* The City's combined net position was \$6,769,288 at September 30, 2019, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 1,870,901	\$ 2,555,272	\$ (684,371)
Capital and non-current assets	1,050,450	1,062,429	(11,979)
Total Assets	\$ 2,921,351	\$ 3,617,701	\$ (696,350)
Deferred outflow of resources	\$ 447,615	\$ 324,542	\$ 123,073
Current liabilities	\$ 316,664	\$ 307,259	\$ 9,405
Long term liabilities	2,065,401	1,861,964	203,437
Total Liabilities	\$ 2,382,065	\$ 2,169,223	\$ 212,842
Deferred inflow of resources	\$ 35,665	\$ 136,244	\$ (100,579)
Net position:			
Net investment in capital assets	\$ 886,052	\$ 856,862	\$ 29,190
Restricted	172,051	169,888	2,163
Unrestricted	(106,867)	610,026	(716,893)
Total Net Position	\$ 951,236	\$ 1,636,776	\$ (685,540)
	Business-type Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 13,528,109	\$ 3,777,424	\$ 9,750,685
Capital and non-current assets	5,018,680	4,185,554	833,126
Total Assets	\$ 18,546,789	\$ 7,962,978	\$ 10,583,811
Deferred outflow of resources	\$ 274,354	\$ 208,280	\$ 66,074
Current liabilities	\$ 718,834	\$ 458,170	\$ 260,664
Long term liabilities	12,271,621	2,177,355	10,094,266
Total Liabilities	\$ 12,990,455	\$ 2,635,525	\$ 10,354,930
Deferred inflow of resources	\$ 12,636	\$ 66,633	\$ (53,997)
Net position:			
Net investment in capital assets	\$ 3,892,672	\$ 2,870,554	\$ 1,022,118
Unrestricted	1,925,380	2,598,546	(673,166)
Total Net Position	\$ 5,818,052	\$ 5,469,100	\$ 348,952
Combined Total Net Position	\$ 6,769,288	\$ 7,105,876	\$ (336,588)

Capital Assets and Debt Administration

Capital Assets

Capital assets for the City at fiscal year end September 30, 2019 amounted to \$6,069,130. It is the City's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and streets as reflected below:

City's Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Current Year</u>		<u>Prior Year</u>	
Land	\$ 160,727	\$ 215,714	\$ 147,165	\$ 215,714
Building and improvements	1,076,051	2,968	1,076,051	2,968
Equipment	1,567,428	1,656,665	1,413,431	1,573,280
Equipment under capital lease	226,514	-	226,514	-
Water and utility improvements	2,744,961	11,191,456	2,744,961	11,191,456
Water rights	-	402,500	-	402,500
Construction in Progress	-	1,126,008	-	-
Totals at historical cost	5,775,681	14,595,311	5,608,122	13,385,918
Total accumulated depreciation	(4,725,231)	(9,576,631)	(4,545,693)	(9,200,364)
Net capital assets	<u>\$ 1,050,450</u>	<u>\$ 5,018,680</u>	<u>\$ 1,062,429</u>	<u>\$ 4,185,554</u>

Long-term Debt

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

City's Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Current Year</u>		<u>Prior Year</u>	
General Obligation & Revenue Bonds	\$ -	\$ 11,500,000	\$ -	\$ 10,715,000
Capital Lease Obligations	164,398	-	205,567	-
Totals	<u>\$ 164,398</u>	<u>\$ 11,500,000</u>	<u>\$ 205,567</u>	<u>\$ 10,715,000</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, 2019

EXHIBIT A-1

Data Control Codes	Primary Government			
	Governmental Activities	Business - Type Activities	Total	
ASSETS				
1010	Cash and Cash Equivalents	\$ 1,391,251	\$ 3,436,746	\$ 4,827,997
1150	Accounts Receivable, Net	427,365	291,974	719,339
1300	Due from Other Funds	52,285	(52,285)	-
1611	Restricted Investments - Current	-	9,851,674	9,851,674
	Capital Assets:			
1710	Land	160,727	142,693	303,420
1730	Buildings, Net	314,890	-	314,890
1740	Improvements other than Buildings, Net	118,964	285,178	404,142
1750	Furniture and Equipment, Net	282,397	3,464,801	3,747,198
1760	Other Assets, Net	173,472	-	173,472
1780	Construction in Progress	-	1,126,008	1,126,008
1000	Total Assets	<u>2,921,351</u>	<u>18,546,789</u>	<u>21,468,140</u>
DEFERRED OUTFLOWS OF RESOURCES				
1997	Related to Pension Plan	442,012	271,031	713,043
1998	Related to OPEB	5,603	3,323	8,926
1500	Total Deferred Outflows of Resources	<u>447,615</u>	<u>274,354</u>	<u>721,969</u>
LIABILITIES				
2010	Accounts Payable	153,672	23,009	176,681
2020	Accrued Liabilities	120,250	77,759	198,009
2260	Debt Payable - Current	42,742	-	42,742
2400	Payable from Restricted Assets	-	618,066	618,066
	Noncurrent Liabilities:			
2502	Debt Payable - Noncurrent	121,656	11,060,000	11,181,656
2580	Net Pension Liability	1,876,596	1,172,044	3,048,640
2585	Net OPEB Liability	67,149	39,577	106,726
2000	Total Liabilities	<u>2,382,065</u>	<u>12,990,455</u>	<u>15,372,520</u>
DEFERRED INFLOWS OF RESOURCES				
2602	Related to Pension Plan	3,733	10,407	14,140
2603	Related to OPEB	4,153	2,229	6,382
2604	Related to Paving Assessments	7,684	-	7,684
2605	Related to Municipal Court	20,095	-	20,095
2500	Total Deferred Inflows of Resources	<u>35,665</u>	<u>12,636</u>	<u>48,301</u>
NET POSITION				
3200	Net Investment in Capital Assets	886,052	3,892,672	4,778,724
	Restricted for:			
3860	Restricted for Debt Service	37,028	-	37,028
3890	Restricted for Other Purposes	135,023	-	135,023
3900	Unrestricted	(106,867)	1,925,380	1,818,513
3000	Total Net Position	<u>\$ 951,236</u>	<u>\$ 5,818,052</u>	<u>\$ 6,769,288</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, 2019

Data Control Codes	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
100 Administration	\$ 738,187	\$ -	\$ 300,930
110 Municipal Court	85,983	108,309	-
120 Streets	328,499	-	-
130 Police	1,145,146	-	22,367
140 Health & Sanitation	778,688	809,494	-
150 Animal Control	99,424	269	-
190 Parks & Recreation	40,515	-	-
200 Golf Course	1,114,653	121,206	-
210 Library	143,430	14,978	-
220 Airport	82,253	16,731	102,000
230 Community Center	13,188	5,200	-
240 Code Enforcement	87,343	51,003	-
Total Governmental Activities	<u>4,657,309</u>	<u>1,127,190</u>	<u>425,297</u>
BUSINESS-TYPE ACTIVITIES:			
701 Sewer Water Fund	<u>2,093,051</u>	<u>2,364,193</u>	<u>-</u>
Total Business-Type Activities	<u>2,093,051</u>	<u>2,364,193</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 6,750,360</u></u>	<u><u>\$ 3,491,383</u></u>	<u><u>\$ 425,297</u></u>

Data Control Codes	General Revenues:
	Taxes:
5010	Property Taxes, Levied for General Purposes
5011	Property Taxes, Levied for Debt Service
5180	Other Taxes
5800	Investment Earnings
	Total General Revenues
	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
\$ (437,257)	\$ -	\$ (437,257)
22,326	-	22,326
(328,499)	-	(328,499)
(1,122,779)	-	(1,122,779)
30,806	-	30,806
(99,155)	-	(99,155)
(40,515)	-	(40,515)
(993,447)	-	(993,447)
(128,452)	-	(128,452)
36,478	-	36,478
(7,988)	-	(7,988)
(36,340)	-	(36,340)
<u>(3,104,822)</u>	<u>-</u>	<u>(3,104,822)</u>
-	271,142	271,142
-	271,142	271,142
<u>(3,104,822)</u>	<u>271,142</u>	<u>(2,833,680)</u>
977,929	-	977,929
215	-	215
1,419,618	-	1,419,618
21,520	212,521	234,041
<u>2,419,282</u>	<u>212,521</u>	<u>2,631,803</u>
(685,540)	483,663	(201,877)
1,636,776	5,469,100	7,105,876
-	(134,711)	(134,711)
<u>\$ 951,236</u>	<u>\$ 5,818,052</u>	<u>\$ 6,769,288</u>

CITY OF DEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
ASSETS			
1010 Cash and Cash Equivalents	\$ 1,222,993	\$ 168,258	\$ 1,391,251
1050 Taxes Receivable	77,121	7,606	84,727
1051 Allowance for Uncollectible Taxes (credit)	(7,121)	(760)	(7,881)
1150 Accounts Receivable, Net	346,726	3,793	350,519
1300 Due from Other Funds	74,182	-	74,182
1000 Total Assets	<u>\$ 1,713,901</u>	<u>\$ 178,897</u>	<u>\$ 1,892,798</u>
LIABILITIES			
2010 Accounts Payable	\$ 153,672	\$ -	\$ 153,672
2020 Accrued Liabilities	119,900	-	119,900
2080 Due to Other Funds	21,897	-	21,897
2000 Total Liabilities	<u>295,469</u>	<u>-</u>	<u>295,469</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	65,485	6,846	72,331
2602 Unavailable Revenue - Paving Assessments	7,684	-	7,684
2603 Unavailable Revenue - Municipal Court	20,095	-	20,095
2600 Total Deferred Inflows of Resources	<u>93,264</u>	<u>6,846</u>	<u>100,110</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	37,028	37,028
3490 Other Restricted Fund Balance	-	135,023	135,023
3600 Unassigned Fund Balance	1,325,168	-	1,325,168
3000 Total Fund Balances	<u>1,325,168</u>	<u>172,051</u>	<u>1,497,219</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,713,901</u>	<u>\$ 178,897</u>	<u>\$ 1,892,798</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, 2019

Total Fund Balances - Governmental Funds	\$	1,497,219
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including debt 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 \$1,062,429, and long-term debt of \$(205,567), in the governmental activities is to increase net position.		856,862
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 2019 capital outlays of \$167,559, and debt principal payments of \$41,169, is to increase net position.		208,728
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 \$(1,876,596), a deferred resource inflow of \$(3,733), and a deferred resource outflow of \$442,012. The net effect of this recognition is to decrease net position.		(1,438,317)
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 \$(67,149), a deferred resource inflow of \$(4,153), and a deferred resource outflow of \$5,603. The net effect of this recognition is to decrease net position.		(65,699)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(179,538)
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 \$72,331 as revenue, and recognizing accrued interest of \$(350). The net effect of these reclassifications and recognitions is to increase net position.		71,981
Net Position of Governmental Activities	\$	951,236

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, 2019

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5110 Taxes	\$ 2,376,121	\$ 19,109	\$ 2,395,230
5200 Licenses and Permits	55,759	-	55,759
5300 Intergovernmental Revenue	-	300,930	300,930
5400 Services & Charges	856,297	-	856,297
5510 Fees/Fines	207,247	-	207,247
5610 Interest Earned	21,267	253	21,520
5640 Grants/Contributions	124,367	-	124,367
5700 Other Revenue	7,887	-	7,887
5020 Total Revenues	<u>3,648,945</u>	<u>320,292</u>	<u>3,969,237</u>
EXPENDITURES:			
Current:			
0100 Administration	333,775	384,722	718,497
0110 Municipal Court	76,796	-	76,796
0120 Streets	307,630	-	307,630
0130 Police	1,056,417	360	1,056,777
0140 Health & Sanitation	775,113	-	775,113
0150 Animal Control	96,436	-	96,436
0190 Parks & Recreation	22,453	-	22,453
0200 Golf Course	734,100	-	734,100
0210 Library	134,519	-	134,519
0220 Airport	66,655	-	66,655
0230 Community Center	12,416	-	12,416
0240 Code Enforcement	83,802	-	83,802
0250 Capital Outlay	537,751	-	537,751
6030 Total Expenditures	<u>4,237,863</u>	<u>385,082</u>	<u>4,622,945</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(588,918)</u>	<u>(64,790)</u>	<u>(653,708)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	66,953	66,953
8911 Transfers Out	(66,953)	-	(66,953)
7080 Total Other Financing Sources (Uses)	<u>(66,953)</u>	<u>66,953</u>	<u>-</u>
1200 Net Change in Fund Balances	(655,871)	2,163	(653,708)
0100 Fund Balance - October 1 (Beginning)	<u>1,981,039</u>	<u>169,888</u>	<u>2,150,927</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 1,325,168</u>	<u>\$ 172,051</u>	<u>\$ 1,497,219</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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	(653,708)
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 2019 capital outlays of \$167,559, and debt principal payments of \$41,169, is to increase net position.		208,728
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.		(179,538)
The reporting of GASB 68 for the current year resulted in a net increase of expenses for the City of \$57,322. The effect of this reporting is to decrease net position.		(57,322)
The reporting of GASB 75 for the current year resulted in a net increase of expenses for the City of \$6,374. The effect of this reporting is to decrease net position.		(6,374)
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 \$2,532, and the change in accrued interest of \$142. The net effect of these reclassifications and recognitions is to increase net position.		2,674
Change in Net Position of Governmental Activities	\$	(685,540)

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, 2019

EXHIBIT D-1

	Business Type Activities
	Sewer Water Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,436,746
Restricted Assets - Current:	
Investments	9,851,674
Interest Receivable	24,580
Accounts Receivable, Net	267,394
Due from Other Funds	21,897
Total Current Assets	13,602,291
Noncurrent Assets:	
Capital Assets:	
Land	142,693
Water Rights, net	285,178
Plant and Equipment, net	3,464,801
Construction in Progress	1,126,008
Total Noncurrent Assets	5,018,680
Total Assets	18,620,971
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	271,031
Deferred Outflow Related to OPEB	3,323
Total Deferred Outflows of Resources	274,354
LIABILITIES	
Current Liabilities:	
Accounts Payable	23,009
Accrued Liabilities	77,759
Due to Other Funds	74,182
Payable from Restricted Assets:	
Customer Deposits	178,066
Bonds	440,000
Total Current Liabilities	793,016
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	11,060,000
Net Pension Liability	1,172,044
Net OPEB Liability	39,577
Total Noncurrent Liabilities	12,271,621
Total Liabilities	13,064,637
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	10,407
Deferred Inflow Related to OPEB	2,229
Total Deferred Inflows of Resources	12,636
NET POSITION	
Net Investment in Capital Assets	3,892,672
Unrestricted	1,925,380

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, 2019

	Business Type Activities
	Sewer
	Water
	Fund
Total Net Position	\$ 5,818,052

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, 2019

EXHIBIT D-2

	Business-Type Activities
	Sewer Water Fund
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 2,364,193
Total Operating Revenues	2,364,193
OPERATING EXPENSES:	
Personnel Services	1,022,407
Purchased Services	361,519
Other Operating Costs	237,217
Depreciation	376,267
Debt Service	95,641
Total Operating Expenses	2,093,051
Operating Income	271,142
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	212,521
Total NonOperating Revenue (Expenses)	212,521
Change in Net Position	483,663
Total Net Position - October 1 (Beginning)	5,469,100
Prior Period Adjustment	(134,711)
Total Net Position - September 30 (Ending)	\$ 5,818,052

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, 2019

	Business-Type Activities
	Sewer Water Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 2,334,247
Cash Payments for Personnel Services	(1,010,464)
Cash Payments for Purchased Services	(361,540)
Cash Payments for Other Operating Expenses	(241,286)
Net Cash Provided by Operating Activities	<u>720,957</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,209,393)
Bond Principal Paid	(290,000)
Long-Term Debt Issued	1,075,000
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(424,393)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>199,576</u>
Net Increase in Cash and Cash Equivalents	496,140
Cash and Cash Equivalents at the Beginning of the Year	3,526,991
Prior Period Adjustment	9,265,289
Cash and Cash Equivalents at the End of the Year	<u>\$ 13,288,420</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income	\$ 271,142
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	376,267
GASB 68 & GASB 75 Adjustment	34,195
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(51,843)
Decrease (Increase) in Prepaid Expenses	3,051
Increase (Decrease) in Accounts Payable	(21)
Increase (Decrease) in Accrued Liabilities	11,943
Increase (Decrease) in Due to Other Funds	72,481
Increase (Decrease) in Customer Deposits	3,742
Net Cash Provided by Operating Activities	<u>\$ 720,957</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash & Cash Equivalents - Statement of Net Assets	\$ 3,436,746
Restricted Cash - Statement of Net Assets	9,851,674
Total Cash and Cash Equivalents	<u>\$ 13,288,420</u>

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

CITY OF DEVINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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, 2019, 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	\$	37,028
Lodging Tax		18,690
TCLOE		4,804
TIF Fund		111,519
Home Program		10
Total Restricted		<u>172,051</u>
Unassigned		<u>1,325,168</u>
Total Fund Balances	\$	<u><u>1,497,219</u></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:

Assets	Years
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 three categories in excess of the budgeted amount for \$25,873.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, Cash Equivalents and Investments

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 \$4,913,834 in excess of FDIC coverage, secured by pledged securities of the depository bank.

As of September 30, 2019, 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	\$ 5,343,803	\$ 5,343,803	\$ -	\$ -	N/A
Investment Pools					
First Public	6,272	6,272	-	-	AAAm
Money market funds	9,329,596	9,329,596	-	-	AAAm
Total Cash and Cash Equivalents	<u>\$ 14,679,671</u>	<u>\$ 14,679,671</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, 2019, the City's investments were limited to investment pools and money market funds.

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, 2019, the City of Devine, Texas has investments of \$9,336,323 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, 2019 consisted of the following amounts:

Transfers From General Fund To:	
Non-Major Funds	\$ 66,953
Total Transfer From General Fund	<u>\$ 66,953</u>
Transfers From Non-Major Funds To:	
General Fund	\$ -
Total Transfers From Non-Major Funds	<u>\$ -</u>

Interfund transfers are in support of operations.

Interfund balances at September 30, 2019 are as follows:

Due to General Fund From:	
Proprietary Funds	\$ 74,182
Non-Major Funds	-
Total Due to General Fund	<u>\$ 74,182</u>
Due to Proprietary Funds From:	
General Fund	\$ 21,897
Total Due to Proprietary Funds	<u>\$ 21,897</u>

Interfund balances are in support of operations.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2019 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 77,121	\$ 203,622	\$ 74,182	\$ 143,104	\$ 498,029
Other Funds	7,606	-		3,793	11,399
Total Governmental Activities	<u>\$ 84,727</u>	<u>\$ 203,622</u>	<u>\$ 74,182</u>	<u>\$ 146,897</u>	<u>\$ 509,428</u>
Amount not scheduled for collection during subsequent year	<u>\$ 7,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,881</u>
Business-type Activities:					
Proprietary Funds	\$ -	\$ -	\$ 21,897	\$ 291,974	\$ 313,871
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,897</u>	<u>\$ 291,974</u>	<u>\$ 313,871</u>

Payables at September 30, 2019 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	\$ 153,672	\$ -	\$ 21,897	\$ 119,900	\$ -	\$ 295,469
Other Funds	-	-	-	-	-	-
Total Governmental Activities	<u>\$ 153,672</u>	<u>\$ -</u>	<u>\$ 21,897</u>	<u>\$ 119,900</u>	<u>\$ -</u>	<u>\$ 295,469</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	\$ 23,009	\$ 440,000	\$ 74,182	\$ 77,759	\$ 178,066	\$ 793,016
Total Business-type Activities	<u>\$ 23,009</u>	<u>\$ 440,000</u>	<u>\$ 74,182</u>	<u>\$ 77,759</u>	<u>\$ 178,066</u>	<u>\$ 793,016</u>

F. CAPITAL ASSETS ACTIVITIES

Capital asset activity for the year ended September 30, 2019 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 147,165	\$ 13,562	\$ -	\$ 160,727
Buildings and improvements	1,076,051	-	-	1,076,051
Utility improvements	2,744,961	-	-	2,744,961
Equipment	1,413,431	153,997	-	1,567,428
Equipment under capital lease	226,514	-	-	226,514
Total at historical cost	<u>5,608,122</u>	<u>167,559</u>	<u>-</u>	<u>5,775,681</u>
Less accumulated depreciation				
Buildings and improvements	(706,147)	(55,014)	-	(761,161)
Utility improvements	(2,591,119)	(34,878)	-	(2,625,997)
Equipment	(1,240,877)	(44,154)	-	(1,285,031)
Equipment under capital lease	(7,550)	(45,492)	-	(53,042)
Total accumulated depreciation	<u>(4,545,693)</u>	<u>(179,538)</u>	<u>-</u>	<u>(4,725,231)</u>
Governmental activities capital assets, net	<u>\$ 1,062,429</u>	<u>\$ (11,979)</u>	<u>\$ -</u>	<u>\$ 1,050,450</u>
Business-type Activities				
Land	\$ 215,714	-	-	215,714
Buildings	2,968	-	-	2,968
Utility improvements	11,191,456	-	-	11,191,456
Equipment	1,573,280	83,385	-	1,656,665
Water rights	402,500	-	-	402,500
Construction-in-progress	-	1,126,008	-	1,126,008
Total at historical cost	<u>13,385,918</u>	<u>1,209,393</u>	<u>-</u>	<u>14,595,311</u>
Accumulated depreciation	<u>(9,200,364)</u>	<u>(376,267)</u>	<u>-</u>	<u>(9,576,631)</u>
Business-type activities capital assets, net	<u>\$ 4,185,554</u>	<u>\$ 833,126</u>	<u>\$ -</u>	<u>\$ 5,018,680</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 10,136
Municipal Court	9,187
Streets	11,315
Police	56,520
Health and Sanitation	3,575
Animal Control	2,988
Parks and Recreation	17,425
Golf Course	45,303
Library	3,179
Airport	15,598
Community Center	772
Code Enforcement	<u>3,540</u>
Total Depreciation Expense	<u>\$ 179,538</u>

G. LONG-TERM DEBT

The City had the following changes in long-term debt outstanding for the year ended September 30, 2019:

	Original Amount	Interest Rates	Balance Outstanding 10/1/2018	Issued	Retirement	Balance Outstanding 9/30/2019	Due Within One Year
<u>Governmental Activities</u>							
<u>Capital Lease Obligation</u>							
John Deere Financial	\$ 226,514	5.75%	<u>205,567</u>	-	<u>41,169</u>	<u>164,398</u>	<u>42,742</u>
Total Governmental Activities			<u>\$ 205,567</u>	<u>\$ -</u>	<u>\$ 41,169</u>	<u>\$ 164,398</u>	<u>\$ 42,742</u>
<u>Business-type Activities</u>							
<u>Certificates of Obligation</u>							
2019 General Obligation		1.80%					
Combination Tax and Revenue	\$1,075,000	2.45%	\$ -	\$ 1,075,000	\$ -	\$ 1,075,000	\$ 95,000
<u>Revenue Bonds</u>							
2011 General Obligation							
Refunding Bonds	\$ 480,000	2.80%	130,000	-	45,000	85,000	45,000
2013 General Obligation		1.27%					
Refunding Bonds	\$1,840,000	3.12%	1,185,000	-	150,000	1,035,000	155,000
2018A Revenue Bonds		0.61%					
Utility System	\$2,755,000	2.37%	2,755,000	-	70,000	2,685,000	70,000
2018B Revenue Bonds							
Utility System	\$6,645,000	0.00%	<u>6,645,000</u>	<u>-</u>	<u>25,000</u>	<u>6,620,000</u>	<u>75,000</u>
Total Business-type Activities			<u>\$ 10,715,000</u>	<u>\$ 1,075,000</u>	<u>\$ 290,000</u>	<u>\$ 11,500,000</u>	<u>\$ 440,000</u>

Annual debt service requirements as of September 30, 2019 are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 42,742	\$ 8,385	\$ 51,127	\$ 440,000	\$ 107,082	\$ 547,082
2021	45,266	5,861	51,127	445,000	95,713	540,713
2022	47,938	3,189	51,127	455,000	88,852	543,852
2023	28,452	1,373	29,825	470,000	81,679	551,679
2024	-	-	-	470,000	73,503	543,503
2025-2029	-	-	-	2,320,000	273,273	2,593,273
2030-2034	-	-	-	1,755,000	196,200	1,951,200
2035-2039	-	-	-	1,780,000	146,612	1,926,612
2040-2044	-	-	-	1,840,000	88,406	1,928,406
2045-2048	-	-	-	1,525,000	23,024	1,548,024
Total	<u>\$ 164,398</u>	<u>\$ 18,808</u>	<u>\$ 183,206</u>	<u>\$ 11,500,000</u>	<u>\$ 1,174,344</u>	<u>\$ 12,674,344</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 \$3,010 for governmental activities and \$83,704 for business-type activities.

H. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Devine participates as one of 887 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, 2018 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	11
Active employees	<u>45</u>
	71

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 16.41% and 16.13% in calendar years 2019 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2019 were \$338,205 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at 12/31/2017	\$ 5,847,229	\$ 3,237,124	\$ 2,610,105
Changes for the year:			
Service Cost	221,419		221,419
Interest	397,975		397,975
Change of benefit terms	-		-
Difference between expected and actual experience	131,753		131,753
Changes of assumptions	-		-
Contributions - employer	-	300,137	(300,137)
Contributions - employee	-	111,640	(111,640)
Net Investment Income	-	(97,193)	97,193
Benefit payments, including refunds of employee contributions	(124,016)	(124,016)	-
Administrative expense	-	(1,874)	1,874
Other Charges	-	(97)	97
Net Changes	\$ 627,131	\$ 188,597	\$ 438,535
Balance at 12/31/2018	\$ 6,474,360	\$ 3,425,721	\$ 3,048,640

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	\$4,067,379	\$3,048,640	\$2,214,137

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, 2019, the city recognized pension expense of \$426,303.

At September 30, 2019, 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	\$ 270,462	\$ 14,140
Changes in actuarial assumptions	17,922	
Net difference between projected and actual investment earnings	168,735	
Contributions subsequent to the measurement date	255,925	
Total	\$ 713,044	\$ 14,140

\$255,925 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 130,303
2020	106,892
2021	87,349
2022	103,276
2023	15,158
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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	2
Active employees	45
	<hr/>
	64

C. Total OPEB Liability

The City's total OPEB liability of \$106,726 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 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*	3.71%
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, 2018.

Note: The actuarial assumptions used in the December 31, 2018 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 12/31/2017	\$ 103,647
Changes for the year:	
Service Cost	4,466
Interest	3,495
Change of benefit terms	-
Differences between expected and actual experience	3,231
Changes in assumptions or other inputs	(7,555)
Benefit payments**	(558)
Net Changes	\$ 3,079
Balance at 12/31/2018	\$ 106,726

** 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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) that the current discount rate:

	1% Decrease (2.71%)	Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	\$126,824	\$106,726	\$90,637

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$8,546.

At September 30, 2019, 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	\$ 2,729	\$ -
Changes in assumptions and other inputs	5,574	6,382
Contributions made subsequent to the measurement date	623	-
Total	\$ 8,926	\$ 6,382

\$624 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, 2019. 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:	
2019	\$ 585
2020	585
2021	585
2022	585
2023	(121)
Thereafter	(298)

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, 2019 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, 2019.

M. COMMITMENTS

At year end, the city had construction and related contracts in place for \$66,249. This amount will be expended in the 2019-2020 fiscal year.

N. PRIOR PERIOD ADJUSTMENTS

During the fiscal year 2018, the City issued sewer and water fund debt of \$9,400,000, received grant proceeds of \$500,000 had issuance cost of \$634,711, and deposited net cash proceeds of \$9,265,289. These amounts were not previously reported. The amount of the prior period adjustment is as follows:

<u>Reported By</u>	<u>Prior Period Adjustment</u>	<u>Restated Beginning Net Position</u>
Sewer and Water Fund	\$ (134,711)	\$ 5,334,389

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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5110 Taxes	\$ 2,361,621	\$ 2,372,710	\$ 2,376,121	\$ 3,411
5200 Licenses and Permits	48,900	54,937	55,759	822
5400 Services & Charges	873,500	841,090	856,297	15,207
5510 Fees/Fines	287,710	234,091	207,247	(26,844)
5610 Interest Earned	7,000	21,281	21,267	(14)
5640 Grants/Contributions	25,000	103,996	124,367	20,371
5700 Other Revenue	1,200	9,865	7,887	(1,978)
5020 Total Revenues	<u>3,604,931</u>	<u>3,637,970</u>	<u>3,648,945</u>	<u>10,975</u>
EXPENDITURES:				
Current:				
0100 Administration	298,169	338,383	333,775	4,608
0110 Municipal Court	104,103	78,020	76,796	1,224
0120 Streets	395,044	314,880	307,630	7,250
0130 Police	1,093,906	1,082,151	1,056,417	25,734
0140 Health & Sanitation	742,409	773,634	775,113	(1,479)
0150 Animal Control	113,192	100,108	96,436	3,672
0190 Parks & Recreation	60,324	22,277	22,453	(176)
0200 Golf Course	549,525	747,270	734,100	13,170
0210 Library	135,629	136,097	134,519	1,578
0220 Airport	39,526	42,437	66,655	(24,218)
0230 Community Center	14,869	12,742	12,416	326
0240 Code Enforcement	90,096	86,352	83,802	2,550
0250 Capital Outlay	24,919	559,174	537,751	21,423
6030 Total Expenditures	<u>3,661,711</u>	<u>4,293,525</u>	<u>4,237,863</u>	<u>55,662</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,780)</u>	<u>(655,555)</u>	<u>(588,918)</u>	<u>66,637</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out	-	(66,953)	(66,953)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(66,953)</u>	<u>(66,953)</u>	<u>-</u>
1200 Net Change	(56,780)	(722,508)	(655,871)	66,637
0100 Fund Balance - October 1 (Beginning)	<u>1,981,039</u>	<u>1,981,039</u>	<u>1,981,039</u>	<u>-</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 1,924,259</u>	<u>\$ 1,258,531</u>	<u>\$ 1,325,168</u>	<u>\$ 66,637</u>

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

CITY OF DEVINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 221,419	\$ 205,888
Interest (on the Total Pension Liability)	397,975	357,395
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	131,753	169,723
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(124,016)	(155,138)
Net Change in Total Pension Liability	\$ 627,131	\$ 577,868
Total Pension Liability - Beginning	5,847,229	5,269,361
Total Pension Liability - Ending	\$ 6,474,360	\$ 5,847,229
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 300,137	\$ 282,988
Contributions - Employee	111,640	103,722
Net Investment Income	(97,193)	366,634
Benefit Payments, Including Refunds of Employee Contributions	(124,016)	(155,138)
Administrative Expense	(1,874)	(1,897)
Other	(97)	(96)
Net Change in Plan Fiduciary Net Position	\$ 188,597	\$ 596,213
Plan Fiduciary Net Position - Beginning	3,237,124	2,640,911
Plan Fiduciary Net Position - Ending	\$ 3,425,721	\$ 3,237,124
C. Net Pension Liability	\$ 3,048,639	\$ 2,610,105
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.91%	55.36%
E. Covered Payroll	\$ 1,860,662	\$ 1,728,698
F. Net Pension Liability as a Percentage of Covered Payroll	163.85%	150.99%

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 five 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."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	165,807	\$ 128,659	\$ 108,237
	326,844	262,136	205,116
	646,960	605,272	-
	65,984	(67,120)	(64,331)
	-	53,414	-
	(96,994)	(62,081)	(37,770)
\$	1,108,601	\$ 920,280	\$ 211,252
	4,160,760	3,106,240	2,894,988
\$	5,269,361	\$ 4,026,520	\$ 3,106,240
\$	204,547	\$ 137,430	\$ 128,545
	82,164	79,715	72,789
	155,456	3,161	107,125
	(96,994)	(62,081)	(37,770)
	(1,754)	(1,925)	(1,118)
	(95)	(95)	(92)
\$	343,324	\$ 156,205	\$ 269,479
	2,297,587	2,141,381	1,871,902
\$	2,640,911	\$ 2,297,586	\$ 2,141,381
\$	2,628,450	\$ 1,728,934	\$ 964,859
	50.12%	57.06%	68.94%
\$	1,643,285	\$ 1,719,860	\$ 1,455,779
	159.95%	100.53%	66.28%

CITY OF DEVINE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2019

	2019	2018	2017
Actuarially Determined Contribution	\$ 338,205	\$ 291,567	\$ 262,836
Contributions in Relation to the Actuarially Determined Contributions	(338,205)	(291,567)	(262,836)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,069,671	\$ 1,800,908	\$ 1,689,824
Contributions as a Percentage of Covered Payroll	16.34%	16.19%	15.55%

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."

	2016	2015
\$	197,955	\$ 128,545
	(197,955)	(128,545)
<u>\$</u>	<u>-</u>	<u>\$ -</u>
\$	1,719,860	\$ 1,455,779
	11.51%	8.83%

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability		
Service Cost	\$ 4,466	\$ 3,457
Interest on the Total OPEB Liability	3,495	3,424
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	3,231	-
Changes of Assumptions	(7,555)	8,086
Benefit Payments*	(558)	(346)
Net Change in Total OPEB Liability	3,079	14,621
Total OPEB Liability - Beginning	103,647	89,026
Total OPEB Liability - Ending	\$ 106,726	\$ 103,647
Covered Payroll	\$ 1,860,662	\$ 1,728,698
Total OPEB Liability as a Percentage of Covered Payroll	5.74%	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, 2019

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:	27 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 AND SCHEDULES**

CITY OF DEVINE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

Data Control Codes	201 Lodging Tax Fund	202 TCLOE Fund	203 TIF Fund	204 Home Program Fund
ASSETS				
1010	\$ 14,897	\$ 4,804	\$ 111,519	\$ 10
1050	-	-	-	-
1051	-	-	-	-
1150	3,793	-	-	-
1000	<u>\$ 18,690</u>	<u>\$ 4,804</u>	<u>\$ 111,519</u>	<u>\$ 10</u>
DEFERRED INFLOWS OF RESOURCES				
2601	-	-	-	-
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3480	-	-	-	-
3490	18,690	4,804	111,519	10
3000	<u>18,690</u>	<u>4,804</u>	<u>111,519</u>	<u>10</u>
4000	<u>\$ 18,690</u>	<u>\$ 4,804</u>	<u>\$ 111,519</u>	<u>\$ 10</u>

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

Total Nonmajor Special Revenue Funds	301 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 131,230	\$ 37,028	\$ 168,258
-	7,606	7,606
-	(760)	(760)
3,793	-	3,793
<u>\$ 135,023</u>	<u>\$ 43,874</u>	<u>\$ 178,897</u>
-	6,846	6,846
-	6,846	6,846
-	37,028	37,028
135,023	-	135,023
<u>135,023</u>	<u>37,028</u>	<u>172,051</u>
<u>\$ 135,023</u>	<u>\$ 43,874</u>	<u>\$ 178,897</u>

CITY OF DEVINE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	201 Lodging Tax Fund	202 TCLOE Fund	203 TIF Fund	204 Home Program Fund
REVENUES:				
Taxes:				
5110 Taxes	\$ 13,124	\$ -	\$ -	\$ -
5300 Intergovernmental Revenue	-	1,195	-	299,735
5610 Interest Earned	54	21	-	-
5020 Total Revenues	<u>13,178</u>	<u>1,216</u>	<u>-</u>	<u>299,735</u>
EXPENDITURES:				
Current:				
0100 Administration	13,022	-	35	371,665
0130 Police	-	360	-	-
6030 Total Expenditures	<u>13,022</u>	<u>360</u>	<u>35</u>	<u>371,665</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>156</u>	<u>856</u>	<u>(35)</u>	<u>(71,930)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	66,953
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,953</u>
1200 Net Change in Fund Balance	156	856	(35)	(4,977)
0100 Fund Balance - October 1 (Beginning)	<u>18,534</u>	<u>3,948</u>	<u>111,554</u>	<u>4,987</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 18,690</u>	<u>\$ 4,804</u>	<u>\$ 111,519</u>	<u>\$ 10</u>

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

Total Nonmajor Special Revenue Funds	301 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 13,124	\$ 5,985	\$ 19,109
300,930	-	300,930
75	178	253
<u>314,129</u>	<u>6,163</u>	<u>320,292</u>
384,722	-	384,722
360	-	360
<u>385,082</u>	<u>-</u>	<u>385,082</u>
<u>(70,953)</u>	<u>6,163</u>	<u>(64,790)</u>
<u>66,953</u>	<u>-</u>	<u>66,953</u>
<u>66,953</u>	<u>-</u>	<u>66,953</u>
(4,000)	6,163	2,163
<u>139,023</u>	<u>30,865</u>	<u>169,888</u>
<u>\$ 135,023</u>	<u>\$ 37,028</u>	<u>\$ 172,051</u>

FEDERAL SECTION

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305
www.colemanhortoncpa.com

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
DEREK L. WALKER, CPA
DUSTY R. ROUTH, CPA

TEL (830) 278-6276
FAX (830) 278-6868
chc@colemanhortoncpa.com

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, 2019, 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 7, 2020.

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, Horton & Company, LLP

Uvalde, Texas
February 7, 2020