

CITY OF BEEVILLE, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2016

CITY OF BEEVILLE, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Beeville, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Basis for Qualified Opinion

The City has not adopted a GASB 54 fund balance policy ordinance. Accounting principles generally accepted in the United States of America require that an entity adopt a GASB 54 fund balance policy which requires a minimum fund balance policy and the grouping of fund balance amounts into categories of restricted, committed, or unassigned. The amount by which this departure would affect the assets, net position, results of operations, and cash flows have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility Fund of the City of Beeville, Texas, as of September 30, 2016, the changes in financial position, and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the Employees Retirement System Information, and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual –Construction Fund on pages 3–13 and 72-73, and 74 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 Beeville, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



BEYER & COMPANY
Certified Public Accountants
December 17, 2017

Management's Discussion and Analysis

As management of the City of Beeville, Texas, we offer readers of the City of Beeville, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Beeville, Texas for the fiscal year ended September 30, 2016.

Financial Highlights

- . The assets of the City of Beeville, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$34,334,503 (Net Position). Of this amount, \$6,935,122 or 20% (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position decreased by \$441,134. This decrease is due mainly to a reduction in charges for services of \$820,662 offsetting a decrease in expenses of \$336,254.
- . The City of Beeville, Texas' total restricted Net Position at September 30, 2016 is \$7,563,449 or 22%.
- . The City of Beeville, Texas' total bonded debt and tax notes increased by \$2,593,000 (40 percent) during the current fiscal year. The key factor in this increase was a bond and note issuance of \$3,550,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Beeville, Texas' basic financial statements. The City of Beeville, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Beeville, Texas' finances, in a manner similar to a private-sector business.

The *statement of Net Position* presents information on all of the City of Beeville, Texas' assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City of Beeville, Texas is improving or deteriorating.

The *statement of activities presents* information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City of Beeville, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Beeville, Texas include general government, public safety, highways and streets, sanitation, economic improvement, and culture and recreation. The business-type activities of the City of Beeville, Texas include a Water and Sewer System and the Beeville Water Supply District.

The government-wide financial statements include only the City of Beeville, Texas itself (known as the *primary government*.) The government-wide financial statements can be found on pages 14-15 for this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Beeville, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All other funds of the City of Beeville, Texas can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Beeville, Texas maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Beeville Economic Improvement Corporation fund, and the construction fund and the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Beeville, Texas adopts an annual appropriated budget for its general fund and the Beeville Economic Improvement Corporation fund. A budgetary comparison statement has been provided for the general fund and the Beeville Economic Improvement Corporation fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on 16-21 of this report.

Proprietary funds: The City of Beeville, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Beeville, Texas uses enterprise funds to account for its Water and Sewer operations and the Beeville Water Supply District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, both of which are considered to be major funds of the City of Beeville, Texas. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

Notes to the financial statements: The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-71 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Beeville, Texas' progress in funding its obligation to provide pension benefits to its employees and the budgetary comparison schedules for the construction fund. The required supplementary information can be found on pages 72-74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 75-76 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City of Beeville, Texas, assets exceeded liabilities by \$34,334,503 at the close of the most recent fiscal year.

A majority of the City of Beeville, Texas' Net Position (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Beeville, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Beeville, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BEEVILLE, TEXAS
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$10,151,070	\$12,871,589	\$3,577,692	\$6,330,421	\$13,728,762	\$19,202,010
Restricted Assets:			4,886,429	1,383,822	4,886,429	1,383,822
Capital Assets:	9,268,566	8,349,586	17,167,219	16,525,531	26,435,785	24,875,117
	<u>19,419,636</u>	<u>21,221,175</u>	<u>25,631,340</u>	<u>24,239,774</u>	<u>45,050,976</u>	<u>45,460,949</u>
Total Deferred Outflows of Resources	<u>619,997</u>	<u>94,248</u>	<u>389,276</u>	<u>41,949</u>	<u>1,009,273</u>	<u>136,197</u>
Total Assets	<u>\$20,039,633</u>	<u>\$21,315,423</u>	<u>\$26,020,616</u>	<u>\$24,281,723</u>	<u>\$46,060,249</u>	<u>\$45,597,146</u>
Long-Term Liabilities	5,710,373	6,168,582	4,956,649	2,180,686	10,667,022	8,349,268
Other Liabilities (Payable from Restricted Assets)			227,820	301,555	227,820	301,555
Other Liabilities	557,063	1,762,498	225,567	315,251	782,630	2,077,749
Total Liabilities	<u>6,267,436</u>	<u>7,931,080</u>	<u>5,410,036</u>	<u>2,797,492</u>	<u>11,677,472</u>	<u>10,728,572</u>
Total Deferred Inflows of Resources	<u>29,655</u>	<u>64,312</u>	<u>18,619</u>	<u>28,625</u>	<u>48,274</u>	<u>92,937</u>
Invested in Capital Assets, Net of Related Debt	4,211,390	2,656,919	15,624,542	14,491,571	19,835,932	17,148,490
Restricted	5,835,205	7,413,717	1,728,244	1,527,326	7,563,449	8,941,043
Unrestricted	3,695,947	3,249,395	3,239,175	5,436,709	6,935,122	8,686,104
Total Net Position	<u>\$13,742,542</u>	<u>\$13,320,031</u>	<u>\$20,591,961</u>	<u>\$21,455,606</u>	<u>\$34,334,503</u>	<u>\$34,775,637</u>

An additional portion of the City of Beeville, Texas' Net Position (22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted Net Position* (\$6,935,122) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Beeville, Texas is able to report positive balances in all three categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was a decrease of \$1,377,594 in restricted Net Position reported in connection with the City of Beeville, Texas' governmental and business-type activities. This decrease was the result of current year construction.

The government's total Net Position decreased by \$441,134. This decrease is due mainly to a reduction in charges for services of \$820,662 offsetting a decrease in expenses of \$336,254.

Governmental activities: Governmental activities increased the City of Beeville, Texas' Net Position by \$442,511, thereby accounting for 100 percent of the total growth in the Net Position of the City of Beeville, Texas. This increase is mainly attributable to a decrease in expenses of \$690,417 and careful budget management.

**CITY OF BEEVILLE, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$2,985,905	\$3,144,682	\$6,428,769	\$7,090,654	\$9,414,674	\$10,235,336
Operating Grants and Contributions	146,325	2,300			146,325	2,300
Capital Grants and Contributions	9,861				9,861	0
General Revenues:						
Maintenance and Operations Taxes	2,485,715	2,464,231	367,755	372,765	2,853,470	2,836,996
Sales Taxes	3,627,993	3,897,170			3,627,993	3,897,170
Franchise Taxes	643,611	728,831			643,611	728,831
Occupancy Taxes	178,605	384,069			178,605	384,069
Other Taxes	25,264	30,764			25,264	30,764
Licenses and Permits	93,067	121,633			93,067	121,633
Unrestricted Investment Earnings	18,319	3,964	10,703	1,577	29,022	5,541
Grants and Contributions not Restricted to Specific Programs (Contribution of Infrastructure)	45,782				45,782	0
Miscellaneous	182,075	662,701			182,075	662,701
Total Revenue	10,442,522	11,440,345	6,807,227	7,464,996	17,249,749	18,905,341
Expenses:						
General Administration	2,500,117	2,701,430			2,500,117	2,701,430
Financial Administration	441,068	466,609			441,068	466,609
Public Facilities	346,526	395,856			346,526	395,856
Public Safety	3,351,537	2,901,213			3,351,537	2,901,213
Public Transportation	1,225,220	1,893,091			1,225,220	1,893,091
Sanitation	1,900,915	1,840,779			1,900,915	1,840,779
Culture and Recreation	1,014,634	1,259,841			1,014,634	1,259,841
Interest and Fiscal Charges	179,760	191,375			179,760	191,375
Utility			6,731,106	6,376,943	6,731,106	6,376,943
Total Expenses	10,959,777	11,650,194	6,731,106	6,376,943	17,690,883	18,027,137
Increase in Net Position Before Transfers and Special Items	(517,255)	(209,849)	76,121	1,088,053	(441,134)	878,204
Transfers	939,766	583,479	(939,766)	(583,479)	0	0
Increase in Net Position	422,511	373,630	(863,645)	504,574	(441,134)	878,204
Net Position at 09/30/2015	13,320,031	12,946,401	21,455,606	20,951,032	34,775,637	33,897,433
Net Position at 09/30/2016	\$13,742,542	\$13,320,031	\$20,591,961	\$21,455,606	\$34,334,503	\$34,775,637

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government Activities:				
General Administration	\$2,500,117	\$30,945	\$0	\$0
Financial Administration	441,068			
Public Facilities	346,526			
Public Safety	3,351,537	502,665	146,325	
Public Transportation	1,225,220	395		
Sanitation	1,900,915	2,306,062		
Culture and Recreation	1,014,634	145,838		9,861
Interest and Fiscal Charges	179,760			
Total Government Activities	<u>\$10,959,777</u>	<u>\$2,985,905</u>	<u>\$146,325</u>	<u>\$9,861</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$2,985,905	29%
Operating Grants and Contributions	146,325	1%
Capital Grants and Contributions	9,861	0%
Maintenance and Operations Taxes	2,485,715	24%
Sales Taxes	3,627,993	35%
Franchise Taxes	643,611	6%
Occupancy Taxes	178,605	2%
Other Taxes	25,264	0%
Licenses and Permits	93,067	1%
Unrestricted Investment Earnings	18,319	0%
Grants and Contributions not Restricted to Specific Programs	45,782	0%
Miscellaneous	182,075	2%
	<u>\$10,442,522</u>	<u>100%</u>

Business-type activities: Business-type activities decreased the City of Beeville, Texas' Net Position by \$863,645, accounting for 0 percent of the total growth in the government's Net Position. Key elements of this decrease are as follows: This decrease is mainly attributable to a decrease in charges for services of \$661,885.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Water and Sewer	\$6,731,106	\$6,428,769	\$0
Total Business-Type Activities	<u>\$6,731,106</u>	<u>\$6,428,769</u>	<u>\$0</u>

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$6,428,769	94%
Maintenance and Operations Taxes	367,755	5%
Unrestricted Investment Earnings	10,703	1%
	<u>\$6,807,227</u>	<u>100%</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Beeville, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City of Beeville, Texas' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Beeville, Texas' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Beeville, Texas' governmental funds reported combined ending fund balances of \$8,282,074, a decrease of \$797,192 in comparison with the prior year. Approximately 21% of this total amount [\$1,704,169] constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed.

The general fund is the chief operating fund of the City of Beeville, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,704,169, while total fund balance reached \$1,787,019. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 19 percent of that same amount.

The fund balance of the City of Beeville, Texas' general fund increased by \$139,322 during the current fiscal year. Key factors in this increase are as follows: This increase is mainly attributable to careful budget management.

The fund balance of the City of Beeville, Texas' Beeville Economic Improvement Corporation fund decreased by \$31,733 during the current fiscal year. Key factor in this decrease is as follows: 1) sales tax collections decreasing by \$69,687 compared to the prior year. As a measure of the Beeville Economic Improvement Corporation fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Reserved fund balance represents 520 percent of total debt service fund expenditures, while total fund balance represents 520 percent of that same amount.

The construction fund is a capital project fund and therefore any analysis regarding this fund will not be forthcoming.

Proprietary funds: The City of Beeville, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Position of the Utility fund at the end of the year amounted to \$3,239,175. The total decrease in Net Position for the Utility Fund was \$863,645. Key factors in this overall decline are as follows:

1. This decrease is mainly attributable to a decrease in charges for services of \$661,885.

General Fund Budgetary Highlights

During the year the appropriations between the original and final amended budget for the general fund increased by \$64,261. This increase was mostly ratable amongst the departments. The largest increases were \$27,488 in Streets and \$23,659 in the City Hall O&M.

Capital Asset and Debt Administration

Capital assets: The City of Beeville, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$26,435,786 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Beeville, Texas' investment in capital assets for the current fiscal year was 7 percent (a 12 percent increase for governmental activities and a 4 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following: There were water tank maintenance, City Hall repairs, and various street projects.

CITY OF BEEVILLE, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$719,552	\$719,552	\$207,370	\$155,301	\$926,922	\$874,853
Construction in Progress	712,581	239,917	156,524	341,480	869,105	581,397
Building and Improvements	4,529,555	4,543,908	31,008	38,201	4,560,563	4,582,109
Machinery and Equipment	1,172,003	1,227,158	385,673	258,246	1,557,676	1,485,404
Infrastructure	2,100,615	0	0	0	2,100,615	0
Intangible	34,260	1,545,193	0	0	34,260	1,545,193
Distribution System	0	0	16,386,645	15,732,303	16,386,645	15,732,303
Total	<u>\$9,268,566</u>	<u>\$8,275,728</u>	<u>\$17,167,220</u>	<u>\$16,525,531</u>	<u>\$26,435,786</u>	<u>\$24,801,259</u>

Additional information of the City of Beeville, Texas' capital assets can be found in note IV.C on pages 45-46 of this report.

Long-term debt: At the end of the current fiscal year, the City of Beeville, Texas had total bonded debt and tax notes outstanding of \$9,146,000. Of this amount, \$9,146,000 comprises debt backed by the full faith and credit of the government.

City of Beeville, Texas' Outstanding Bonded Debt

General Obligation and Revenue Bonds

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
General Obligation Bonds	\$4,603,000		\$462,000	\$4,141,000	\$350,000	\$3,791,000
Tax Notes Payable		250,000	45,000	205,000	50,000	155,000
	<u>4,603,000</u>	<u>250,000</u>	<u>507,000</u>	<u>4,346,000</u>	<u>400,000</u>	<u>3,946,000</u>
<u>Business-Type Activities:</u>						
Revenue Bonds	1,950,000	3,300,000	450,000	4,800,000	250,000	4,550,000
	<u>1,950,000</u>	<u>3,300,000</u>	<u>450,000</u>	<u>4,800,000</u>	<u>250,000</u>	<u>4,550,000</u>
Grand Total	<u>\$6,553,000</u>	<u>\$3,550,000</u>	<u>\$957,000</u>	<u>\$9,146,000</u>	<u>\$650,000</u>	<u>\$8,496,000</u>

The City of Beeville, Texas' total bonded debt and tax notes increased by \$2,593,000 (40 percent) during the current fiscal year. The key factor in this increase was a bond and note issuance of \$3,550,000.

Additional information on the City of Beeville, Texas' long-term debt can be found in note IV.F on pages 49-51 of this report.

Economic Factors and Future Trends

A largest economic factor affecting the City has been a decline of sales tax and hotel tax revenues due to the slowing down of the Eagle Ford Shale oil fields that were being drilled and developed in the area, despite previous predictions for the City.

Water has also been a large economic factor in the City. The City is continually working on the study of an alternate source of water and continuing to study sources of water and the current utility rate structure. Conservation efforts continue to be a key factor in any future water plans.

During the 2016 budget year, the primary factors affecting the budget continue to be public safety, replacement of aging infrastructure, and investment in capital assets.

Requests for Information

This financial report is designed to provide a general overview of the City of Beeville, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, City of Beeville, Texas, 400 N. Washington, Beeville, Texas 78102.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$7,752,274	\$1,744,462	\$9,496,736
Receivables (Net of Allowance for Uncollectibles)	1,248,192	1,162,821	2,411,013
Net Pension Receivable	1,067,754	670,409	1,738,163
Prepaid Items	82,850		82,850
Restricted Assets:			
Cash and Cash Equivalents		4,886,429	4,886,429
Capital Assets Not Being Depreciated:			
Land	719,552	207,370	926,922
Construction in Progress	712,581	156,524	869,105
Total Capital Assets Being Depreciated, Net			
Building and Improvements	4,529,555	31,008	4,560,563
Machinery and Equipment	1,172,003	385,672	1,557,675
Infrastructure	2,100,615	16,386,645	18,487,260
Intangibles	34,260		34,260
Total Assets	\$19,419,636	\$25,631,340	\$45,050,976
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources-Contributions (after 12/31/15)	104,366	65,528	169,894
Deferred Outflow-Difference in projected and actual earnings	395,085	248,061	643,146
Deferred Outflow-Difference in assumption changes	120,546	75,687	196,233
Total Deferred Outflows of Resources	619,997	389,276	1,009,273
LIABILITIES:			
Accounts Payable	\$465,059	\$188,294	\$653,353
Accrued Wages Payable	83,478	30,873	114,351
Accrued Interest Payable	8,526	6,400	14,926
Consumer Meter Deposits		227,820	227,820
Noncurrent Liabilities:			
Due Within One Year	1,162,194	406,649	1,568,843
Due in More Than One Year	4,548,179	4,550,000	9,098,179
Total Liabilities	6,267,436	5,410,036	11,677,472
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow-Actual Experience vs. Assumption	29,655	18,619	48,274
Total Deferred Inflows of Resources	29,655	18,619	48,274
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	4,211,390	15,624,542	19,835,932
Restricted for:			
Construction		1,345,305	1,345,305
Culture and Recreation	160,849		160,849
Debt Service	1,015,273	382,939	1,398,212
Economic Development	1,493,501		1,493,501
Grants	12,883		12,883
Hotel/Motel	2,931,055		2,931,055
Public Safety	221,644		221,644
Unrestricted	3,695,947	3,239,175	6,935,122
Total Net Position	\$13,742,542	\$20,591,961	\$34,334,503

The accompanying notes are an integral part of this statement.

CITY OF BEEVILLE, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Government Activities:						
General Administration	\$2,500,117	\$30,945			(\$2,469,172)	(\$2,469,172)
Financial Administration	441,068				(441,068)	(441,068)
Public Facilities	346,526				(346,526)	(346,526)
Public Safety	3,351,537	502,665	146,325		(2,702,547)	(2,702,547)
Public Transportation	1,225,220	395			(1,224,825)	(1,224,825)
Sanitation	1,900,915	2,306,062			405,147	405,147
Culture and Recreation	1,014,634	145,838		9,861	(858,935)	(858,935)
Interest and Fiscal Charges	179,760				(179,760)	(179,760)
Total Government Activities	10,959,777	2,985,905	146,325	9,861	(7,817,686)	0
Business-Type Activities:						
Utility	6,378,964	6,428,663				49,699
Beeville Water Supply District Fund	352,142	106				(352,036)
Total Business-Type Activities	6,731,106	6,428,769	0	0		(302,337)
Total Primary Government	\$17,690,883	\$9,414,674	\$146,325	\$9,861	(7,817,686)	(302,337)
General Revenues						
Taxes						
Property					2,485,715	367,755
Sales					3,627,993	
Franchise					643,611	
Occupancy					178,605	
Other					25,264	
Licenses and Permits					93,067	
Unrestricted Investment Earnings					18,319	10,703
Grants and Contributions Not Restricted to Specific Programs						
Miscellaneous					45,782	
Transfers					182,075	
Total General Revenues and Transfers					939,766	(939,766)
Change in Net Position					8,240,197	(561,308)
Net Position - Beginning					422,511	(863,645)
Net Position - Beginning					13,320,031	21,455,606
Net Position - Ending					34,775,637	
					\$13,742,542	\$20,591,961
						\$34,334,503

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF BEEVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Beeville Economic Improvement Corporation Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$1,300,563	\$2,450,979	\$1,189,791	\$2,810,941	\$7,752,274
Receivables (Net of Allowance for Uncollectibles)	1,052,781	69,248		126,163	1,248,192
Prepaid Expenses	82,850				82,850
Total Assets	\$2,436,194	\$2,520,227	\$1,189,791	\$2,937,104	\$9,083,316
LIABILITIES AND FUND BALANCES:					
Accounts Payable	\$360,751	\$20,298		\$84,010	\$465,059
Accrued Wages	83,478				83,478
Deferred Revenue					0
Total Liabilities	444,229	20,298	0	84,010	548,537
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes	204,946			47,759	252,705
Fund Balances:					
Non-Spendable					
Prepaid Items	82,850				82,850
Restricted					
Culture and Recreation				160,849	160,849
Debt Service				1,015,273	1,015,273
Economic Development			1,189,791	303,710	1,493,501
Grants				12,883	12,883
Hotel/Motel		2,499,929		431,126	2,931,055
Public Safety				221,644	221,644
Committed					
Public Transportation				659,850	659,850
Unassigned	1,704,169				1,704,169
Total Fund Balance	1,787,019	2,499,929	1,189,791	2,805,335	8,282,074
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$2,436,194	\$2,520,227	\$1,189,791	\$2,937,104	\$9,083,316

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	\$8,282,074
Capital assets used in governmental activities are not reported in the funds.	9,268,566
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,658,096
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	252,705
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,718,899)
Net Position of Governmental Activities - Statement of Net Position	<u>\$13,742,542</u>

The accompanying notes are an integral part of this statement.

CITY OF BEEVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Beeville Economic Improvement Corporation Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$1,983,593			\$502,991	\$2,486,584
Sales	2,418,759	906,852		302,382	3,627,993
Franchise	643,611				643,611
Occupancy				178,605	178,605
Other	25,264				25,264
Intergovernmental	9,861			192,107	201,968
Licenses and Permits	93,067				93,067
Charges for Services	2,620,652			111,481	2,732,133
Fines and Forfeitures	247,289			6,483	253,772
Interest	2,801	5,082	5,114	5,322	18,319
Miscellaneous	139,372		500	42,203	182,075
Total Revenues	<u>8,184,269</u>	<u>911,934</u>	<u>5,614</u>	<u>1,341,574</u>	<u>10,443,391</u>
EXPENDITURES					
Current:					
General Administration	1,249,240	480,344	44,699	763,521	2,537,804
Financial Administration	425,499				425,499
Public Facilities	343,630				343,630
Public Safety	3,117,222			68,946	3,186,168
Public Transportation	1,049,331			37,653	1,086,984
Sanitation	1,896,810				1,896,810
Culture and Recreation	974,900			4,105	979,005
Capital Projects -					
Capital Outlay and Other			828,694	225,460	1,054,154
Debt Service					
Principal Retirement	219,976			507,000	726,976
Tax Note Proceeds - Issuance Costs			8,625		8,625
Interest and Fiscal Charges	27,078			157,616	184,694
Total Expenditures	<u>9,303,686</u>	<u>480,344</u>	<u>882,018</u>	<u>1,764,301</u>	<u>12,430,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,119,417)</u>	<u>431,590</u>	<u>(876,404)</u>	<u>(422,727)</u>	<u>(1,986,958)</u>
OTHER FINANCING SOURCES (USES):					
Tax Note Proceeds			250,000		250,000
Operating Transfers In	1,258,739			578,371	1,837,110
Operating Transfers Out		(463,323)	(27,333)	(406,688)	(897,344)
Total Other Financing Sources (Uses)	<u>1,258,739</u>	<u>(463,323)</u>	<u>222,667</u>	<u>171,683</u>	<u>1,189,766</u>
Net Changes in Fund Balances	<u>139,322</u>	<u>(31,733)</u>	<u>(653,737)</u>	<u>(251,044)</u>	<u>(797,192)</u>
Fund Balances - Beginning	<u>1,647,697</u>	<u>2,531,662</u>	<u>1,843,528</u>	<u>3,056,379</u>	<u>9,079,266</u>
Fund Balances - Ending	<u>\$1,787,019</u>	<u>\$2,499,929</u>	<u>\$1,189,791</u>	<u>\$2,805,335</u>	<u>\$8,282,074</u>

The accompanying notes are an integral part of this statement.

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

Net Changes in Fund Balances - Total Governmental Funds (\$797,192)

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	992,838
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	0
Increase (decrease) in net pension receivable from beginning of period to end of period.	(800,207)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(869)
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	10,118
Deferred Outflow-Difference in projected and actual earnings. This is the change in these amounts this year.	395,085
Deferred Outflow-Difference in assumption changes. This is the change in these amounts this year.	120,546
Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year.	34,657
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	726,976
(Increase) decrease in accrued interest payable from beginning of period to end of period.	9,326
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(23,000)
(Increase) decrease in bond premium payable from beginning of period to end of period.	4,233
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(250,000)
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$422,511</u>

The accompanying notes are an integral part of this statement.

CITY OF BEEVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$1,968,528	\$1,968,528	\$1,983,593	\$15,065
Sales	2,584,000	2,584,000	2,418,759	(165,241)
Franchise	659,000	659,000	643,611	(15,389)
Other	31,000	31,000	25,264	(5,736)
Intergovernmental	9,768	9,860	9,861	1
Licenses and Permits	108,200	108,200	93,067	(15,133)
Charges for Services	2,580,396	2,580,396	2,620,652	40,256
Fines and Forfeitures	260,000	260,000	247,289	(12,711)
Interest	1,000	1,000	2,801	1,801
Miscellaneous	77,820	77,820	139,372	61,552
Total Revenues	<u>8,279,712</u>	<u>8,279,804</u>	<u>8,184,269</u>	<u>(95,535)</u>
EXPENDITURES				
Current:				
General Administration				
Administrative	363,202	363,202	423,085	(59,883)
City Hall O&M	389,077	412,736	351,436	61,300
City Secretary	169,224	169,224	145,747	23,477
Development Services	214,171	214,171	179,537	34,634
Main street program	170,259	170,259	149,435	20,824
Financial Administration				
Finance Department	453,641	453,641	425,499	28,142
Public Facilities				
Garage	371,972	379,063	343,630	35,433
Public Safety				
Animal Control	167,872	169,372	145,901	23,471
EMS	439,313	439,313	476,512	(37,199)
Municipal Court	171,655	176,584	172,307	4,277
Police	2,265,626	2,265,626	2,111,297	154,329
Public Safety	268,675	266,584	211,205	55,379
Public Transportation				
Streets	1,084,222	1,111,710	1,049,331	62,379
Sanitation				
Sanitation	1,843,000	1,843,000	1,896,810	(53,810)
Culture and Recreation				
Airport	46,701	46,886	40,453	6,433
Golf Course	247,593	249,093	213,430	35,663
Parks and Recreation	715,147	715,147	660,400	54,747
Swimming Pool	82,248	82,248	60,617	21,631
Debt Service				
Principal Retirement	219,976	219,976	219,976	0
Interest Retirement	27,082	27,082	27,078	4
Total Expenditures	<u>9,710,656</u>	<u>9,774,917</u>	<u>9,303,686</u>	<u>471,231</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,430,944)	(1,495,113)	(1,119,417)	375,696
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,209,583	1,271,934	1,258,739	(13,195)
Total Other Financing Sources (Uses)	<u>1,209,583</u>	<u>1,271,934</u>	<u>1,258,739</u>	<u>(13,195)</u>
Net Changes in Fund Balances	(221,361)	(223,179)	139,322	362,501
Fund Balances - Beginning	1,647,697	1,647,697	1,647,697	
Fund Balances - Ending	<u>\$1,426,336</u>	<u>\$1,424,518</u>	<u>\$1,787,019</u>	<u>\$362,501</u>

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

CITY OF BEEVILLE, TEXAS
 BEEVILLE ECONOMIC IMPROVEMENT CORPORATION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Sales	\$940,700	\$940,700	\$906,852	(\$33,848)
Interest	2,000	2,000	5,082	3,082
Total Revenues	942,700	942,700	911,934	(30,766)
EXPENDITURES				
General Administration				
Economic Development	955,210	955,210	480,344	474,866
Total Expenditures	955,210	955,210	480,344	474,866
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,510)	(12,510)	431,590	444,100
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(463,323)	(463,323)	(463,323)	0
Total Other Financing Sources (Uses)	(463,323)	(463,323)	(463,323)	0
Net Changes in Fund Balances	(475,833)	(475,833)	(31,733)	444,100
Fund Balances - Beginning	2,531,662	2,531,662	2,531,662	
Fund Balances - Ending	\$2,055,829	\$2,055,829	\$2,499,929	\$444,100

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

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

	Business-Type Activities Enterprise Funds				
	Utility Fund		Beeville Water Supply District Fund		Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$1,683,531	\$4,154,798	\$60,931	\$33,398	\$1,744,462
Accounts Receivables (Net of Allowance for Uncollectibles)	1,103,488	1,242,332	59,333	68,489	1,162,821
Prepaid Items					0
Net Pension Receivable	670,409	831,404			670,409
Total Current Assets	<u>3,457,428</u>	<u>6,228,534</u>	<u>120,264</u>	<u>101,887</u>	<u>3,577,692</u>
Noncurrent Assets					
Restricted Assets:					
Cash and Cash Equivalents - Debt Service			323,637	318,258	323,637
Cash and Cash Equivalents - Construction	4,535,850	753,634	26,942	311,930	4,562,792
Total Restricted Assets	<u>4,535,850</u>	<u>753,634</u>	<u>350,579</u>	<u>630,188</u>	<u>4,886,429</u>
Noncurrent Assets					
Capital Assets					
Construction in Progress	156,524	88,439		253,041	156,524
Land	207,369	155,301			207,369
Buildings	548,396	548,396			548,396
Machinery and Equipment	2,080,442	1,829,207			2,080,442
Infrastructure	22,171,927	21,251,635	11,376,638	10,828,973	33,548,565
Total Capital Assets	<u>25,164,658</u>	<u>23,872,978</u>	<u>11,376,638</u>	<u>11,082,014</u>	<u>36,541,296</u>
Less Accumulated Depreciation					0
Total Capital Assets (Net of Accumulated Depreciation)	<u>(13,646,242)</u>	<u>(12,994,378)</u>	<u>(5,727,835)</u>	<u>(5,435,083)</u>	<u>(19,374,077)</u>
Total Noncurrent Assets	<u>11,518,416</u>	<u>10,878,600</u>	<u>5,648,803</u>	<u>5,646,931</u>	<u>17,167,219</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflow of Resources-Contributions (after 12/31/14)		41,949			0
Deferred Outflow of Resources-Contributions (after 12/31/15)	65,528				65,528
Deferred Outflow-Difference in projected and actual earnings	248,061				248,061
Deferred Outflow-Difference in assumption changes	75,687				75,687
Total Deferred Outflow of Resources	<u>389,276</u>	<u>41,949</u>	<u>0</u>	<u>0</u>	<u>389,276</u>
TOTAL ASSETS	<u>\$19,900,970</u>	<u>\$17,902,717</u>	<u>\$6,119,646</u>	<u>\$6,379,006</u>	<u>\$26,020,616</u>

(continued)

(continued)

	Business-Type Activities Enterprise Funds				
	Utility Fund		Beeville Water Supply District Fund		Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS					
Liabilities					
Current Liabilities (Payable from Current Assets)					
Accounts Payable	\$171,599	\$308,542	\$16,695	\$980	\$188,294
Compensated Absences	113,972	146,726			113,972
Accrued Wages Payable	30,873	0			30,873
Accrued Interest Payable	6,400	5,274		455	6,400
Capital Lease Payable - Current	42,677	41,283			42,677
Bonds Payable - Current	250,000	90,000		360,000	250,000
Total Current Liabilities (Payable from Current Assets)	615,521	591,825	16,695	361,435	632,216
Current Liabilities (Payable from Restricted Assets)					
Consumer Meter Deposits	227,820	301,555			227,820
Total Current Liabilities Payable from Restricted Assets	227,820	301,555	0	0	227,820
Total Current Liabilities	843,341	893,380	16,695	361,435	860,036
Noncurrent Liabilities					
Capital Lease Payable		42,677			0
Bonds Payable	4,550,000	1,500,000			4,550,000
Total Noncurrent Liabilities	4,550,000	1,542,677	0	0	4,550,000
Total Liabilities	5,393,341	2,436,057	16,695	361,435	5,410,036
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow-Difference in expected and actual experience	18,619	28,625			18,619
Total Deferred Inflow of Resources	18,619	28,625	0	0	18,619
Invested in Capital Assets, Net of Related Debt	9,975,739	9,204,640	5,648,803	5,286,931	15,624,542
Restricted for Debt Service - Expendable			382,939	386,590	382,939
Restricted for Construction - Expendable	1,327,526	828,806	17,779	311,930	1,345,305
Unrestricted	3,185,745	5,404,589	53,430	32,120	3,239,175
Total Net Position	\$14,489,010	\$15,438,035	\$6,102,951	\$6,017,571	\$20,591,961

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

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

	Business-Type Activities Enterprise Funds				
	Utility Fund		Beeville Water Supply District Fund		Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
OPERATING REVENUES:					
Charges for Services - Water	\$3,304,381	\$3,722,671			\$3,304,381
Charges for Services - Sewer	2,994,939	2,994,939			2,994,939
Miscellaneous	129,343	373,044	106		129,449
Total Operating Revenues	6,428,663	7,090,654	106	0	6,428,769
OPERATING EXPENSES:					
Personal Services	2,606,784	1,867,867			2,606,784
Supplies	45,600	44,923			45,600
Other Services and Charges	2,989,663	3,393,174	55,843	94,811	3,045,506
Depreciation	651,864	600,703	292,752	273,887	944,616
Total Operating Expenses	6,293,911	5,906,667	348,595	368,698	6,642,506
Operating Income (Loss)	134,752	1,183,987	(348,489)	(368,698)	(213,737)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	9,042	1,340	1,661	237	10,703
Property Taxes			367,755	372,765	367,755
Interest and Fiscal Charges	(85,053)	(80,449)	(3,547)	(21,129)	(88,600)
Total Non-Operating Revenues (Expenses)	(76,011)	(79,109)	365,869	351,873	289,858
Income Before Transfers	58,741	1,104,878	17,380	(16,825)	76,121
Transfers In (Out) - Net	(1,007,766)	(583,479)	68,000		(939,766)
Change in Net Position	(949,025)	521,399	85,380	(16,825)	(863,645)
Total Net Position - Beginning	15,438,035	14,916,636	6,017,571	6,034,396	21,455,606
Total Net Position - Ending	\$14,489,010	\$15,438,035	\$6,102,951	\$6,017,571	\$20,591,961

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

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

	Business-Type Activities Enterprise Funds				
	Utility Fund		Beeville Water Supply District Fund		Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$6,493,772	\$6,748,417	\$9,262	\$11,749	\$6,503,034
Payments to Suppliers	(3,171,080)	(3,269,703)	(40,583)	(93,831)	(3,211,663)
Payments to Employees	(2,805,003)	(1,867,867)	0	0	(2,805,003)
Net Cash Provided (Used) by Operating Activities	517,689	1,610,847	(31,321)	(82,082)	486,368
Cash Flows from Non-Capital and Related Financing Activities					
Federal Grants and Contributions					0
Tax Revenues	0	0	367,755	372,765	367,755
Transfers In/Out	(1,007,766)	(583,479)	68,000	0	(939,766)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(1,007,766)	(583,479)	435,755	372,765	(572,011)
Cash Flows from Capital and Related Financing Activities					
Purchases of Capital Assets	(1,291,681)	(191,487)	(294,624)	(253,041)	(1,586,305)
Proceeds from Capital Debt	3,300,000				3,300,000
Principal Payment on Revenue Bonds, Notes and Capital Leases	(131,282)	(150,637)	(360,000)	(355,000)	(491,282)
Interest and Fiscal Charges	(85,053)	(80,449)	(3,547)	(20,972)	(88,600)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,791,984	(422,573)	(658,171)	(629,013)	1,133,813
Cash Flows from Investing Activities				0	
Interest Received	9,042	1,340	1,661	237	10,703
Net Cash Provided (Used) by Investment Activities	9,042	1,340	1,661	237	10,703
Net Increase (Decrease) in Cash Equivalents	1,310,949	606,135	(252,076)	(338,093)	1,058,873
Cash and Cash Equivalents at Beginning of Year	4,908,432	4,302,297	663,586	1,001,679	5,572,018
Cash and Cash Equivalents at End of Year	\$6,219,381	\$4,908,432	\$411,510	\$663,586	\$6,630,891

(continued)

(continued)

	Business-Type Activities				
	Enterprise Funds				
	Utility Fund		Beeville Water Supply District Fund		Totals
Current Year	Prior Year	Current Year	Prior Year	Current Year	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$134,752	\$1,183,987	(\$348,489)	(\$368,698)	(213,737)
Adjustments to Reconcile to Net Cash Flow					
Non-Cash Items Included in Net Income					
Depreciation	651,864	600,703	292,752	273,887	944,616
Changes in Current Items					
Decrease (Increase) in Accounts Receivable	138,844	(355,282)	9,156	11,749	148,000
Decrease (Increase) Deferred Outflow of Resources-Contributions	(23,579)		0		(23,579)
Decrease (Increase) Difference in projected and actual earnings	(248,061)		0		(248,061)
Decrease (Increase) Difference in assumption changes	(75,687)		0		(75,687)
Decrease (Increase) Difference in expected and actual experience	(10,006)		0		(10,006)
Decrease (Increase) in Prepaid Items	0		0		0
Increase (Decrease) in Accounts Payable	(136,943)	168,394	15,715	980	(121,228)
Increase (Decrease) Compensated Absences	(32,754)		0		(32,754)
Increase (Decrease) Accrued Wages Payable	30,873		0		30,873
Increase (Decrease) in Accrued Interest Payable	1,126		(455)		671
Increase (Decrease) in Consumer Meter Deposits	(73,735)	13,045	0		(73,735)
Increase (Decrease) in Net pension Receivable	160,995		0		160,995
Increase (Decrease) in Accrued Other					
Net Cash Provided (Used) by Operating Activities	<u>\$517,689</u>	<u>\$1,610,847</u>	<u>(\$31,321)</u>	<u>(\$82,082)</u>	<u>\$486,368</u>
Noncash Investing, Capital, and Financing Activities:					
Bond Proceeds	<u>\$3,300,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,300,000</u>
Total Noncash Investing, Capital, and Financing Activities	<u>\$3,300,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,300,000</u>

Note: The above funds are all Enterprise Funds.

City of Beeville, Texas
Notes to the Financial Statements
September 30, 2016

I. Summary of significant accounting policies

A. Reporting Entity/ Basis of Accounting/Measurement Focus

The City of Beeville, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Beeville, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Beeville Economic Improvement Fund – The Beeville Economic Improvement Fund accounts for the revenues derived from the .375% sales and use tax approved by the voters. Expenditures include financing of economic development objectives and infrastructure improvements.

Construction Fund – The Construction Fund accounts for capital equipment and projects and is mainly funded by bond proceeds.

D. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Utility Fund (Water and Sewer) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

Utility Fund - The utility fund accounts for the activities of the water distribution system, the sewer and sewage treatment plant, sewage pumping stations and collection systems.

Beeville Water Supply District Fund – The Beeville Water Supply District includes an intake facility, water treatment plant and pipeline that provide water to the City.

E. Blended Component Units

The City reports the following blended component units:

The Beeville Economic Improvement (the “BEIC”) was created by State law to provide financing for economic development objectives and infrastructure improvements. Revenues are provided primarily with funds derived from a .375% sales and use tax approved by the voters. The City Council appoints the board and has financial accountability. Although it is legally separate from the City, the BEIC is reported as if it were part of the primary government because its primary purpose is to issue revenue bonds to finance major capital improvements on behalf of the City.

The Beeville Water Supply District (the “BWSD”) was created to construct an intake facility, water treatment plant, and a pipeline to transport water from Lake Corpus Christi to Beeville, Texas. The members of the BWSD’s governing board are elected by the voters and the BWSD levies taxes. However, although it is legally separate from the City, the BWSD is reported as if it were part of the primary government because the City is the sole customer of the BWSD. Because the BWSD provides its services to the City’s utility system (an enterprise fund) the government-wide financial statements of the BWSD are presented as a proprietary fund in the financial statements.

The Beeville Tax Increment Financing District (the “TIF”) was created to utilize increased taxes derived from the increased valuation of an area of approximately 82 acres within the central area of the City which contains principal retail and commercial businesses. These taxes are used to generate additional economic stimulus to the area. The City Council appoints the board and has financial accountability. This entity is reported as a governmental fund in the City’s financial statements.

F. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2016, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2016, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2016, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2016. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2016, and 10 percent of delinquent outstanding property taxes at September 30, 2016. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were prepaid items at September 30, 2016.

4. Fund Balances – Governmental Funds

As of September 30, 2016, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2016, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$82,850
Restricted	
Culture and Recreation	160,849
Debt Service	1,015,273
Economic Development	1,493,501
Grants	12,883
Hotel/Motel	2,931,055
Public Safety	221,644
Committed	
Public Transportation	659,850
Unassigned	<u>1,704,169</u>
Total Fund Balance	<u><u>\$8,282,074</u></u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City does not currently have any such policies.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Infrastructure	10-50
Water and sewer system	5-50
Vehicles	3-10
Machinery and equipment	3-10

Major capital asset events during the current fiscal year included the following: There were water tank maintenance, City Hall repairs, and various street projects.

6. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, governmental funds and proprietary financial statements.

7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Restricted Assets*

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Monies are set aside in the general fund for future projects and are maintained in a separate bank account. The restricted assets are as follows: \$323,637 for Debt Service and \$4,562,792 for Construction in the Proprietary Funds.

9. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. They are amounts deferred under GASB 68.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *Net Position - governmental activities* as reported in the government-wide statement of Net Position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$5,719,899 difference are as follows:

Bonds Payable	\$4,141,000
Accrued Interest Payable	8,526
Capital Lease Payable	711,176
Tax Notes Payable	205,000
Bond Issuance Premium	80,424
Compensated Absences Payable	573,773
	<u>\$5,719,899</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$9,268,566 difference are as follows:

Capital assets not being depreciated	\$1,432,133
Capital assets being depreciated	16,497,715
Depreciation expense	(8,661,282)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	\$9,268,566

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.*)" The details of this \$252,705 difference are as follows:

Property Taxes Receivable	\$267,253
Allowance for Doubtful Accounts	(14,548)
Net	\$252,705

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. The details of this \$1,658,096 difference are as follows:

Net Pension Receivable	\$1,067,754
Deferred Outflow of Resources-Contributions (after 12/31/15)	104,366
Deferred Outflow-Difference in projected and actual earnings	395,085
Deferred Outflow-Difference in assumption changes	120,546
Deferred Inflow-Difference in expected and actual experience	(29,655)
Net	\$1,658,096

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in Net Position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$992,838 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$928,032
Capital Outlay - Additions - Being Depreciated (Net)	1,070,460
Capital Outlay - Deletions	0
Depreciation Expense	(1,005,654)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>\$992,838</u></u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, the Beeville Economic Improvement Fund, and the Construction Fund.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2016, expenditures did not exceed appropriations in any fund.

C. Deficit Fund Equity

There were no deficit fund equities at September 30, 2016.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is not in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2016, the government's bank balance of \$10,050,310 in the City depository (Value Bank) was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$16,010,306 and the FDIC coverage is \$250,000. The City also had a bank balance of \$252,891 in Prosperity Bank at September 30, 2016. The FDIC coverage is \$250,000; therefore, the bank balance was exposed to custodial credit risk in the amount of \$2,891. The book balance of the City's bank balances at September 30, 2016 is \$9,832,338.

Interest rate risk: In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.

Credit risk: State law limits investments in commercial paper and corporate bonds to the top two rating issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2016 the local investment pool Texpool (100% of portfolio) were rated AAAM by Standard and Poor's.

Concentration of credit risk: The City places no limit on the amount the City may invest in any one issuer. 100 percent of the City's investments are in an insured Texpool account.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2016, the City had \$1,418,037 in investments in an insured TexPool account.

As of September 30, 2016, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$1,418,037	Less than 1 year	Less than 1 year

The City participates in one Local Government Investment Pool: TexPool. The City invests in TexPool to provide its liquidity needs. It is a local government investment pool established in conformity with the Inter-local Cooperation Act Chapter 791 of the Texas Government Code and the Public Investment Act Chapter 2256 of the Code. TexPool is 2(a) 7 like fund meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. The City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder short of a significant change in value. The TexPool fund is within the Governmental Activities.

Additionally, the City has monies of \$3,132,790 held by BOK Financial in Austin, Texas. These monies are not secured by either the FDIC or any Federal or State government or government sponsored agency.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Beeville Economic Improvement Fund	Other Governmental Funds	Water	Beeville Water Supply District	Total
<u>Receivables</u>						
Taxes						
Property	\$219,494		\$47,759		\$64,472	\$331,725
Sales	184,670	69,248	23,073			276,991
Franchise	97,225					97,225
Occupancy			38,771			38,771
Accounts	424,349		16,550	1,108,962		1,549,861
Fines	441,441					441,441
Other	(284)				(104)	(388)
Gross Receivables	1,366,895	69,248	126,153	1,108,962	64,368	2,735,626
Less: Allowance for Uncollectibles	314,114	0		5,474	5,035	324,623
Net Total Receivables	\$1,052,781	\$69,248	\$126,153	\$1,103,488	\$59,333	\$2,411,003

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$719,552	\$0	\$0	\$719,552
Construction in Progress	239,917	928,032	455,368	712,581
Total capital assets not being depreciated:	959,469	928,032	455,368	1,432,133

Capital assets being depreciated:				
Building and Improvements	7,435,401	287,424	0	7,722,825
Machinery, Equipment and Vehicles	5,154,026	442,607		5,596,633
Infrastructure	2,382,460	755,827	0	3,138,287
Intangibles	0	39,970	0	39,970
Total capital assets being depreciated:	14,971,887	1,525,828	0	16,497,715

Less: Accumulated Depreciation for:				
Building and Improvements	2,891,493	301,777	0	3,193,270
Machinery, Equipment and Vehicles	3,926,868	497,762		4,424,630
Infrastructure	837,267	200,405	0	1,037,672
Intangibles	0	5,710	0	5,710
Total Accumulated Depreciation	7,655,628	1,005,654	0	8,661,282
Total Capital Assets Depreciated, Net	7,316,259	520,174	0	7,836,433
Governmental Activities capital assets, Net	\$8,275,728	\$1,448,206	\$455,368	\$9,268,566

Proprietary Funds:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$155,301	\$52,069	\$0	\$207,370
Construction in Progress	341,480	877,545	1,062,501	156,524
Total capital assets not being depreciated:	496,781	929,614	1,062,501	363,894

Capital assets being depreciated:				
Building and Improvements	548,396		0	548,396
Machinery, Equipment and Vehicles	1,829,207	251,236	0	2,080,443
Distribution System	32,080,608	1,467,957	0	33,548,565
Total capital assets being depreciated:	34,458,211	1,719,193	0	36,177,404

Less: Accumulated Depreciation for:				
Building and Improvements	510,195	7,193	0	517,388
Machinery, Equipment and Vehicles	1,570,961	123,809	0	1,694,770
Distribution System	16,348,305	813,615	0	17,161,920
Total Accumulated Depreciation	18,429,461	944,617	0	19,374,078
Total Capital Assets Depreciated, Net	16,028,750	774,576	0	16,803,326
Proprietary Fund Activities capital assets, Net	\$16,525,531	\$1,704,190	\$1,062,501	\$17,167,220

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

Governmental Activities	
General Administration	\$74,852
Public Safety	296,878
Public Transportation	326,141
Culture and Recreation	<u>307,783</u>
Total Depreciation Expense - Governmental Activities	<u>\$1,005,654</u>
Business-Type Activities	
Utility	\$651,865
Beeville Water Supply District Corporation	<u>292,752</u>
Total Depreciation Expense - Business-Type Activities	<u>\$944,617</u>

Construction Commitments

The government has active construction projects as of September 30, 2016. There were water tank maintenance, City Hall repairs, and various street projects.

D. Interfund Receivables, Payables, and Transfers

Inter-fund transfers: Transfers are used to 1) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2016, the government made the following transfers:

INTRAFUND - GOVERNMENTAL ACTIVITIES	TRANSFER OUT			
	BEEVILLE ECONOMIC IMPROVEMENT FUND	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
TRANSFER IN				
NON-MAJOR GOVERNMENTAL FUNDS	\$64,193	\$27,333	\$406,688	\$498,214
GENERAL FUND	399,130			399,130
TOTALS	\$463,323	\$27,333	\$406,688	\$897,344

INTERFUND	TRANSFER OUT	
	UTILITY FUNDS	TOTAL
TRANSFER IN		
NON-MAJOR GOVERNMENTAL FUNDS	\$80,157	\$80,157
GENERAL FUND	859,609	859,609
TOTALS	\$939,766	\$939,766

INTRAFUND - BUSINESS-TYPE ACTIVITIES	TRANSFER OUT	
	UTILITY FUND	TOTAL
TRANSFER IN		
BEEVILLE WATER SUPPLY DISTRICT	\$68,000	\$68,000
TOTALS	\$68,000	\$68,000

All of the above transfers were non-recurring except for the transfer from the utility fund to the general fund. All of the above transfers were for operating expenses.

There were no interfund balances as of September 30, 2016.

E. Leases

Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$21,510 for the year ended September 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2017	\$ 32,573
2018	23,773
2019	8,776
2020	3,641
2021	<u>1,809</u>
Total	<u>\$ 70,572</u>

Rent expenditures were \$540 for the year ended September 30, 2016. Sublease rental income was \$29,911 for the year ended September 30, 2016.

F. Long-Term Debt

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation, Revenue, Tax Notes, and General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation, Revenue, Tax Notes, and General Obligation bonds have been issued for both governmental and business-type activities.

Bonds currently outstanding along with any covenants and security pledged are as follow:

PURPOSE	RATE	RATE	ORIGINAL AMOUNTS	CURRENT AMOUNTS	SERIES	MATURITY DATE	COVENANTS	SECURITY
Governmental activities	Certificates of Obligation	2.625-4.0%	\$550,000	\$90,000	2003	2018	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	Certificates of Obligation	4.25%	210,000	49,000	2008	2018	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	Certificates of Obligation	2.00%	1,630,000	1,500,000	2014	2034	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	Tax Notes	1.70%	250,000	205,000	2015	2020	Sinking Fund	Ad Valorem Tax and Utility Fees
Governmental activities	Revenue Bonds	3.26%	3,500,000	2,502,000	2011	2026	Sinking Fund	Ad Valorem Tax and Utility Fees
Business-type activities	Certificates of Obligation	4.950%	2,000,000	1,500,000	2008-A	2028	Utility Fund	Ad Valorem Tax and Utility Fees
Business-type activities	Certificates of Obligation	.01-1.72	3,300,000	3,300,000	2014	2034	Utility Fund	Ad Valorem Tax and Utility Fees
Total			<u>\$11,440,000</u>	<u>\$9,146,000</u>				

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$400,000	\$140,635	\$250,000	\$104,308
2018	409,000	128,630	255,000	99,482
2019	352,000	117,757	260,000	94,400
2020	359,000	107,971	265,000	88,954
2021	315,000	97,955	270,000	83,044
2022-2026	1,731,000	332,672	1,451,000	309,255
2027-2031	460,000	120,600	1,149,000	118,370
2032-2036	320,000	25,800	900,000	38,010
TOTALS	<u>\$4,346,000</u>	<u>\$1,072,020</u>	<u>\$4,800,000</u>	<u>\$935,823</u>

Capital Leases

The City has entered into lease agreements for equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The assets acquired through capital leases are as follows:

ASSET	Governmental Activities			Business-Type Activities	TOTAL
	Ladder Truck	Radio Tower	Various Equipment	Pumper Unit	
COST	\$976,000	\$139,500	\$449,908	\$204,955	\$1,770,363
ACCUMULATED DEPRECIATION	(823,500)	(115,959)	(179,963)	(163,964)	(1,283,386)
NET ASSET	\$152,500	\$23,541	\$269,945	\$40,991	\$486,977

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

YEAR	Governmental Activities	Business-Type Activities	Total
	Amount	Amount	Amount
2017	\$209,677	\$44,084	\$253,761
2018	113,310		113,310
2019	113,310		113,310
2020	113,310		113,310
2021	113,310		113,310
2022	113,311		113,311
Total Minimum Lease Payments	776,228	44,084	776,228
Less: Amount Representing Interest	65,052	1,407	66,459
Present Value of Net Minimum Lease Payments	\$711,176	\$42,677	\$753,853

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$4,603,000		\$462,000	\$4,141,000	\$350,000	\$3,791,000
Bond Premium	84,657		4,233	80,424		80,424
Total Bonds Payable	<u>4,687,657</u>	<u>0</u>	<u>466,233</u>	<u>4,221,424</u>	<u>350,000</u>	<u>3,871,424</u>
Notes Payable		250,000	45,000	205,000	50,000	155,000
Capital Lease Payable	931,152		219,976	711,176	189,421	521,755
Compensated Absences	549,773	572,773	549,773	572,773	572,773	0
Total Governmental Activities	<u>6,168,582</u>	<u>822,773</u>	<u>1,280,982</u>	<u>5,710,373</u>	<u>1,162,194</u>	<u>4,548,179</u>
<u>Business-Type Activities:</u>						
Revenue Bonds	1,950,000	3,300,000	450,000	4,800,000	250,000	4,550,000
Less Deferred Amounts: For Issuance Premium				0		0
Total Bonds Payable	<u>1,950,000</u>	<u>3,300,000</u>	<u>450,000</u>	<u>4,800,000</u>	<u>250,000</u>	<u>4,550,000</u>
Capital Lease Payable	83,993		41,316	42,677	42,677	0
Compensated Absences	146,726	113,972	146,726	113,972	113,972	0
Total Business-Type Activities	<u>2,180,719</u>	<u>3,413,972</u>	<u>638,042</u>	<u>4,956,649</u>	<u>406,649</u>	<u>4,550,000</u>
Grand Total	<u>\$8,349,301</u>	<u>\$4,236,745</u>	<u>\$1,919,024</u>	<u>\$10,667,022</u>	<u>\$1,568,843</u>	<u>\$9,098,179</u>

The government-wide statement of Net Position includes \$1,568,843 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements. Compensated absences of \$686,745 are considered to be short term liabilities. The governmental activities bonds payable are serviced by the debt service fund. The governmental compensated absences are serviced by the general fund. The Business-type activities bonds and compensated absences are serviced by the water and sewer fund. The City incurred interest expense of \$268,360.

G. Segment Information

The city issued revenue bonds to finance certain improvements to its Utility Fund and Beeville Water Supply District Fund. Because the utility system is reported as a major fund in the fund financial statements, separate segment disclosures for it are not required.

V. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

Changes in accrued liabilities for these claims follow:

	Year ended <u>09/30/16</u>	Year ended <u>09/30/15</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Subsequent Events

January 10, 2017

- Awarded the bid for the Veterans Memorial Park Groundwater Well Project to All Star I&E, Inc. in the amount of \$684,145.30.

February 28, 2017

- Approved the bid for the Emergency Generator Improvements Project from CES Industrial, LLC in the amount of \$714,140.00.

July 11, 2017

- Awarded the bid for the 2017 Seal Coating Services Project to J. Carroll Weaver, Inc. in the amount of \$225,195.30.

August 8, 2017

- Awarded the bid to ETech Construction, Inc. in the amount of \$190,055.75 for the CDBG Waterline Improvements Project.
- Awarded the bid for the Boys/Girls Club and City Pool renovation to Teal Construction Co. in the amount of \$1,387,000.00 contingent upon the plumbing services being done by Rice Plumbing in the amount of \$100,000.00.

October 10, 2017

- Adopted Ordinance No. 2332 authorizing the issuance, sale and delivery of City of Beeville, Texas General Obligation Refunding Bonds, Series 2017.
- Accepted the proposal submitted by Severn Trent Services to operate the wastewater treatment plant and water distribution sample testing.

November 2, 2017 – Special Meeting

- Authorized the Interim Assistant City Manager to execute a TCEQ Executive Order related to the wastewater discharge on December 26, 2016 into Poesta Creek and to authorize payment of the required administrative penalty in the amount of \$24,250.00.

November 15, 2017 – Special Meeting

- Approved the proposal from CES Industrial to replace the electrical controls at the Clareville Pump Station in the amount of \$588,00.00.

November 28, 2017

- Approved the purchase of 2 new police units in the amount of \$61,070.00.

C. Related Party Transactions

- 1) Bebe Adamez (Councilmember) - owner of the radio station KTKO; used for advertising; expenditures for the year ended September 30, 2016 were \$250.
- 2) John Fulghum (Mayor ProTem) – Jeweler; expenditures for the year ended September 30, 2016 were \$682.
- 3) Joe Trevino (Police Chief) and Michelle Clark Trevino (Main Street Director) are husband and wife.

D. Contingent Liabilities

The City is a defendant in the following lawsuit for which monetary damages are sought.

- 1) Case No. 01-17-0006-7861, officer terminated for violations of Beeville PD Policies & Procedures, etc. Arbitration is scheduled for 2/13/2018.

E. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year.

The City had a prior period adjustment where by Governmental Activities Net Assets and Governmental Funds were increased by \$1,068,259 and \$73,858. The first restatement was a result of insurance expenses being understated by \$1,068,259; the second restatement was the result of the garbage receivable being understated by \$73,858.

The City also had a prior period adjustment where by Business-Type Activities Net Assets were increased by \$522,968. The restatement was a result of insurance expenses being understated by \$522,968.

These restatements had a corresponding effect on the beginning net assets.

	Net Assets, as Previously Reported	Insurance Restatement	Garbage Receivable Restatement	Net Assets As Restated
Governmental Activities:				
Net Assets	\$12,177,914	\$1,068,259	\$73,858	\$13,320,031
Total Governmental Activities	\$12,177,914	\$1,068,259	\$73,858	\$13,320,031

	Net Assets, as Previously Reported	Insurance Restatement	Net Assets As Restated
Business-Type Activities:			
Net Assets	\$20,932,638	\$522,968	\$21,455,606
Total Business-Type Activities	\$20,932,638	\$522,968	\$21,455,606

	Net Position, as Previously Reported	Insurance Restatement	Garbage Receivable Restatement	Net Position As Restated
Governmental Funds				
Fund Balance	\$7,937,149	\$1,068,259	\$73,858	\$9,079,266
Total Governmental Funds	\$7,937,149	\$1,068,259	\$73,858	\$9,079,266

EXECUTIVE SUMMARY
as of **December 31, 2015**

Actuarial Valuation and Measurement Date, December 31,	2014	2015
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	56	61
- Inactive employees entitled to but not yet receiving benefits	92	100
- Active employees	114	124
-Total	262	285
 Covered Payroll	 \$ 4,365,813	 \$ 4,890,440
Net Pension Liability		
Total Pension Liability	\$ 9,032,682	\$ 9,805,376
Plan Fiduciary Net Position	11,732,047	11,543,539
Net Pension Liability	\$ (2,699,365)	\$ (1,738,163)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 129.88%	 117.73%
 Net Pension Liability as a Percentage of Covered Payroll	 (61.83%)	 (35.54%)
Development of the Single Discount Rate		
Single Discount Rate	7.00%	6.75%
Long-Term Expected Rate of Return	7.00%	6.75%
Long-Term Municipal Bond Rate*	3.65%	3.57%
 Last year ending December 31 in the 100 year projection period for which projected benefit payments are fully funded	 N/A	 N/A

*Based on the Bond Buyer 20 Bond Index of general obligation bonds as of December 25, 2014 and December 31, 2015 respectively as these are the weekly rate closest to but not later than the Measurement Dates.

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$	405,417
2. Interest on the Total Pension Liability		630,144
3. Current Period Benefit Changes		0
4. Employee Contributions (Reduction of Expense)		(244,522)
5. Projected Earnings on Plan Investments (Reduction of Expense)		(821,243)
6. Administrative Expense		10,544
7. Other Changes in Fiduciary Net Position		521
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		55,833
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets		160,787
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities		(30,394)
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets		<u>29,073</u>
12. Total Pension Expense	\$	196,160

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization <u>years</u>)	<u>Total (Inflow) or Outflow of Resources</u>	2015 Recognized in current	Deferred (Inflow)/Outflow in future <u>expense</u>
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.6500	\$ (66,491)	\$ (18,217)	\$ (48,274)
Difference in assumption changes [actuarial (gains) or losses]	3.6500	\$ 270,283	\$ 74,050	\$ 196,233
			----- \$ 55,833	\$ 147,959
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 803,933	\$ 160,787	\$ 643,146
			\$ <u>160,787</u>	\$ 643,146
<u>Total:</u>				\$ <u>791,105</u>

B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	<u>Net deferred outflows (inflows) of resources</u>
2016	\$ 215,299
2017	215,299
2018	224,398
2019	160,785
2020	0
Thereafter	<u>0</u>
Total	\$ 815,781

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. **The data in this schedule is based on the City's fiscal year-end**, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (**excludes portion of rate for Supplemental Death Benefits Fund**) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered employee payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB-Employer Reporting Guide."

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ (524,441)	\$ (1,738,163)	\$ (2,746,807)

SUMMARY OF ACTUARIAL ASSUMPTIONS

These 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. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

I. Economic Assumptions

A. General Inflation - General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.
2. For the Supplemental Death Benefits Fund, the rate is 4.25% per year, compounded annually, and derived as a blend of 5.00% for the portion of the benefits financed by advance funding contributions and a short-term interest rate for the portion of the benefits financed by current contributions.
3. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth - 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases -

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Beeville annual annuity increases of 0.00% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Beeville the base table is then multiplied by a factor of 96.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Beeville the base table is then multiplied by a factor of 96.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other - 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1-1½-to-1 cities, and 8% is added for 1- to-1 cities.

Age	Percent of Terminating Employees Choosing Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, 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%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, 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 will be 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.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33-47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1 - 1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. Methods and Assumptions

- A. Valuation of Assets - The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary. For the purpose of determining the UAAL and annual required contribution associated with the Supplemental Death Trust, assets are valued at the Fund Value.

- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

- C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30 year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25 year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

For the purpose of determining the annual required contribution associated with the Supplemental Death Trust, the amortization of the UAAL is done using a 25 year open period.

- D. Small City Methodology - For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

- E. Supplemental Death Benefit - The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due the significant reserve in the Supplemental Death Trust, the SDB rate for retiree coverage is currently only one-third of the total term cost.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.
9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service related decrements are based on total TMRS eligibility service.

V. *Participant Data*

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Amortization Schedule

Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year							
			2015	2016	2017	2018	2019	2020	Thereafter	
Due to Liabilities:										
2014 difference in experience (inflows) /outflows	3.0577	\$ (92,937)	\$ (30,394)	\$ (30,394)	\$ (30,394)	\$ (1,755)	\$ 0	\$ 0	\$ 0	\$ 0
2015 difference in experience (inflows) /outflows	3.6500	(66,491)	(18,217)	(18,217)	(18,217)	(11,840)	0	0	0	0
		Total	\$ (48,611)	\$ (48,611)	\$ (48,611)	\$ (13,595)	\$ 0	\$ 0	\$ 0	\$ 0
2015 difference in assumptions (inflows) /outflows	3.6500	270,283	74,050	74,050	74,050	48,133	0	0	0	0
		Total	\$ 74,050	\$ 74,050	\$ 74,050	\$ 48,133	\$ 0	\$ 0	\$ 0	\$ 0
Due to Assets:										
2014 excess investment returns (inflows) /outflows	4.0000	\$ 116,292	\$ 29,073	\$ 29,073	\$ 29,073	\$ 29,073	\$ 0	\$ 0	\$ 0	\$ 0
2015 excess investment returns (inflows) /outflows	5.0000	803,933	160,787	160,787	160,787	160,787	160,785	0	0	0
		Total	\$ 189,860	\$ 189,860	\$ 189,860	\$ 189,860	\$ 160,785	\$ 0	\$ 0	\$ 0

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CURRENT PERIOD**

A. Total pension liability

1. Service Cost	\$	405,417
2. Interest (on the Total Pension Liability)		630,144
3. Changes of benefit terms		0
4. Difference between expected and actual experience		(66,491)
5. Changes of assumptions		270,283
6. Benefit payments, including refunds of employee contributions		<u>(466,659)</u>
7. Net change in total pension liability	\$	772,694
8. Total pension liability - beginning		<u>9,032,682</u>
9. Total pension liability- ending	\$	<u>9,805,376</u>

B. Plan fiduciary net position

1. Contributions - employer	\$	27,385
2. Contributions - employee		244,522
3. Net investment income		17,310
4. Benefit payments, including refunds of employee contributions		(466,659)
5. Administrative Expense		(10,544)
6. Other		<u>(521)</u>
7. Net change in plan fiduciary net position	\$	(188,508)
8. Plan fiduciary net position - beginning		<u>11,732,047</u>
9. Plan fiduciary net position - ending*	\$	<u>11,543,539</u>

C. Net pension liability [A.9 - B.9] \$ (1,738,163)

D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] 117.73%

E. Covered-employee payroll \$ 4,890,440

F. Net pension liability as a percentage of covered employee payroll [C / E] (35.54%)

* FNP may be off a dollar due to rounding.

The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer/city will be required to build this schedule over the 10-year period; as such, the employer should retain the annual GASB packages to utilize in building this schedule.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	<u>\$ xxx.xxx</u>	<u>\$ xxx.xxx</u>	<u>\$ xxx.xxx</u>	<u>\$ xxx.xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered employee payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered employee payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year

CITY OF BEEVILLE, TEXAS
 CONSTRUCTION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$155	\$155	5,114	\$4,959
Miscellaneous	0	0	500	500
Total Revenues	155	155	5,614	5,459
EXPENDITURES				
Current:				
General Administration	0	70,110	44,699	25,411
Capital Projects -				
Capital Outlay and Other	1,330,000	1,534,465	828,694	705,771
Debt Service				
Tax Note Proceeds - Issuance Costs	0	8,625	8,625	0
Total Expenditures	1,330,000	1,613,200	882,018	731,182
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,329,845)	(1,613,045)	(876,404)	736,641
OTHER FINANCING SOURCES (USES):				
Other Financing Sources -				
Tax Note Proceeds	0	250,000	250,000	0
Operating Transfers Out	0	0	(27,333)	(27,333)
Total Other Financing Sources (Uses)	0	250,000	222,667	(27,333)
Net Changes in Fund Balances	(1,329,845)	(1,363,045)	(653,737)	709,308
Fund Balances - Beginning	1,843,528	1,843,528	1,843,528	
Fund Balances - Ending	\$513,683	\$480,483	\$1,189,791	\$709,308

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BEEVILLE, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

SPECIAL REVENUE

DEBT SERVICE

	SPECIAL REVENUE												DEBT SERVICE			Total
	Hotel/Motel Occupancy Tax Fund	Street Maintenance Fund	Federal/State Grants Fund	Municipal Court Technology Fund	Municipal Court Building Security Fund	Beeville Tax Incremental Financing District Fund	Main Street Fund	Fire Equipment Fund	Park Improvement Fund	Police Enforcement Fund	Animal Control Donation Fund	Beeville Economic Development Fund	Debt Service Fund	Debt Service Fund		
Cash and Cash Equivalents	\$392,835	\$701,105	\$12,883	\$9,085	\$17,343	\$300,573	\$21,892	\$114,458	\$152,568	\$70,914	\$2,012	\$944,444	\$70,829	\$2,810,941		
Receivables (Net of Allowance for Uncollectibles)	38,771	23,073				2,037		8,279	8,281			45,722		126,163		
Inventories														0		
Total Assets	\$431,606	\$724,178	\$12,883	\$9,085	\$17,343	\$302,610	\$21,892	\$122,737	\$160,849	\$70,914	\$2,012	\$990,166	\$70,829	\$2,937,104		

LIABILITIES AND FUND BALANCES

Liabilities														
Accounts Payable	\$480	\$64,328		\$447		\$15,545	\$3,210							\$84,010
Total Liabilities	480	64,328	0	447	0	15,545	3,210	0	0	0	0	0	0	84,010

DEFERRED INFLOWS OF RESOURCES

Deferred Property Taxes						2,037								45,722
														47,759

Fund Balances														
Restricted														
Culture and Recreation														160,849
Debt Service														1,015,273
Economic Development														303,710
Grants			12,883											12,883
Hotel/Motel	431,126			8,638	17,343			122,737		70,914	2,012			431,126
Public Safety														221,644
Committed														
Public Transportation		659,850												659,850

Total Fund Balances	431,126	659,850	12,883	8,638	17,343	285,028	18,682	122,737	160,849	70,914	2,012	944,444	70,829	2,805,335
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TOTAL LIABILITIES AND FUND BALANCES	\$431,606	\$724,178	\$12,883	\$9,085	\$17,343	\$302,610	\$21,892	\$122,737	\$160,849	\$70,914	\$2,012	\$990,166	\$70,829	\$2,937,104
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The notes to the financial statements are an integral part of this statement.

CITY OF BEEVILLE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	SPECIAL REVENUE										DEBT SERVICE			Total	
	Home/Model Occupancy Tax	Street Maintenance Fund	Federal/State Grants Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Beeville Tax Incremental Financing District Fund	Main Street Fund	Fire Equipment Fund	Park Improvement Fund	Police Enforcement Fund	Animal Control Donation Fund	Beeville Economic Development Service Fund	Improvement Debt Service Fund		
REVENUES															
Taxes															
Property															
Sales															
Occupancy	178,605					\$72,061								\$430,930	
Intergovernmental			192,107												\$502,991
Charges for Services															302,382
Fines and Forfeitures															178,605
Interest	1,109	1,198	12	3,783	2,700	678	39	181	244	2	4	1,741	56		192,107
Miscellaneous	1,497			24	34		1,667			37,814	1,225				111,481
Total Revenues	181,211	303,580	192,119	3,807	2,734	72,739	1,706	55,915	55,991	37,814	1,229	432,671	56		1,341,574
EXPENDITURES															
Current:															
General Administration															
Administration															
Economic Development															
Public Safety															
Animal Control															
Fire Safety															
Municipal Court															
Police															
Public Transportation															
Streets															
Culture and Recreation															
Park															
Capital Projects -															
Capital Outlay and Other															
Debt Service															
Principal Retirement															
Interest and Fiscal Charges															
Total Expenditures	481,293	263,113	195,335	11,965	574	83,603	3,290	7,946	4,105	47,901	560	236,994	427,622	1,764,301	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,082)	40,467	(3,216)	(8,158)	2,160	(10,864)	(1,584)	47,969	51,886	(10,085)	669	195,677	(427,566)	(422,727)	
OTHER FINANCING SOURCES (USES):															
Operating Transfers In															
Operating Transfers Out															
Total Other Financing Sources (Uses)	(105,588)	(40,000)	0	0	(1,500)	(12,500)	0	0	0	0	0	(95,352)	426,623	171,883	
Net Changes in Fund Balances	(405,670)	467	(3,216)	(8,158)	660	(23,364)	(1,584)	47,969	51,886	(10,085)	669	100,325	(943)	(251,044)	
Fund Balances - Beginning	836,796	659,383	16,099	16,796	16,683	308,392	20,266	74,768	108,963	80,999	1,343	844,119	71,772	3,055,379	
Fund Balances - Ending	\$431,126	\$659,850	\$12,883	\$8,638	\$17,343	\$285,028	\$18,682	\$122,737	\$160,849	\$70,914	\$2,012	\$944,444	\$70,829	\$2,805,335	

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