

CITY OF NATALIA, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
SEPTEMBER 30, 2018

CITY OF NATALIA, TEXAS  
Annual Financial Report  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

**FINANCIAL SECTION**

- 1. Independent Auditor's Report
- 3. Management's Discussion and Analysis

***Basic Financial Statements:***

*Government-wide financial statements:*

- 13. Statement of Net Position
- 14. Statement of Activities

*Fund financial statements:*

- 15. Balance Sheet - Governmental Funds
- 16. Reconciliation of the Government Funds
- 17. Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
- 18. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- 19. Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- General Fund
- 20. Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- Municipal Development District Fund
- 21. Statement of Net Position - Proprietary Funds
- 23. Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
- 24. Statement of Cash Flows - Proprietary Funds
- 26. Notes to the Financial Statements

*Required Supplementary Information:*

- 77. Employees Retirement System Information
- 79. OPEB System Information

*Combining and Individual Fund Statements and Schedules:*

- 80. Combining Balance Sheet - Non-Major Governmental Funds
- 81. Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

## FINANCIAL SECTION

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

---

P.O. Box 366 / 442 West Oaklawn  
Pleasanton, Texas 78064  
Phone: (830) 569-8781 ~ Fax: (830) 569-6776  
E-mail: [beyerandco@sbcglobal.net](mailto:beyerandco@sbcglobal.net)

---

111 North Odem  
Sinton, Texas 78387

***Please reply to Pleasanton address***

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Natalia, 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 Natalia, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Natalia, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Municipal Development District Fund 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, Employee Retirement System Information, and the OPEB system information on pages 3–12, 77-78, and 79 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 Natalia, 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  
July 11, 2019

## Management's Discussion and Analysis

As management of the City of Natalia, Texas, we offer readers of the City of Natalia, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Natalia, Texas for the fiscal year ended September 30, 2018.

### Financial Highlights

- . The assets of the City of Natalia, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$2,793,697 (Net Position). Of this amount, \$316,174 or 11% (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position increased by \$39,491. This increase is due mainly to an increase in charges for services and careful budget management.
- . The City of Natalia, Texas' total debt increased by \$12,191 (1.82 percent) during the current fiscal year. The key factor was the capital lease issuance of \$74,134.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Natalia, Texas' basic financial statements. The City of Natalia, 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 Natalia, Texas' finances, in a manner similar to a private-sector business.

The *statement of Net Position* presents information on all of the City of Natalia, 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 Natalia, 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 Natalia, 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 Natalia, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Natalia, Texas include a Utility System.

The government-wide financial statements include only the City of Natalia, Texas itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 13-14 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 Natalia, 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 Natalia, 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 Natalia, Texas maintains eight 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 and the municipal development district fund and the other six 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 Natalia, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and the municipal development district fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on 15-20 of this report.

**Proprietary funds:** The City of Natalia, 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 Natalia, Texas uses enterprise funds to account for its Utility operations.

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 Utility operations, which is considered to be a major fund of the City of Natalia, Texas. The basic proprietary fund financial statements can be found on pages 21-25 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 26-78 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 Natalia, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 77-78 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 80-81 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 Natalia, Texas, assets exceeded liabilities by \$2,793,697 at the close of the most recent fiscal year.

A significant portion of the City of Natalia, Texas' Net Position (80 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 Natalia, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Natalia, 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. The remaining balance of *unrestricted Net Position*, \$316,174, may be used to meet the government's ongoing obligations to citizens and creditors.



**CITY OF NATALIA, TEXAS**  
**NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$189,728	\$187,524	\$123,074	\$205,181	\$312,802	\$392,705
Restricted Assets:	261,424	213,791	214,830	44,556	476,254	258,347
Capital Assets:	647,720	663,693	2,204,256	2,229,109	2,851,976	2,892,802
Total Assets	1,098,872	1,065,008	2,542,160	2,478,846	3,641,032	3,543,854
Total Deferred Outflows of Resources	15,876	13,513	13,595	7,492	29,471	21,005
Long-Term Liabilities	253,512	254,068	428,523	415,776	682,035	669,844
Other Liabilities (Payable from Restricted Assets)	0	0	81,267	67,830	81,267	67,830
Other Liabilities	32,221	27,535	67,708	42,709	99,929	70,244
Total Liabilities	285,733	281,603	577,498	526,315	863,231	807,918
Total Deferred Inflows of Resources	7,313	1,759	6,262	976	13,575	2,735
Invested in Capital Assets, Net of Related Debt	441,322	463,693	1,805,058	1,850,505	2,246,380	2,314,198
Restricted	231,143	197,989	0	0	231,143	197,989
Unrestricted	149,237	133,477	166,937	108,542	316,174	242,019
Total Net Position	\$821,702	\$795,159	\$1,971,995	\$1,959,047	\$2,793,697	\$2,754,206

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

There was an increase of \$33,154 in restricted Net Position reported in connection with the City of Natalia, Texas' governmental and business-type activities. This increase is the result of Municipal Development District sales tax proceeds.

The government's total Net Position increased by \$39,491. This increase is due mainly to an increase in charges for services and careful budget management.

**Governmental activities:** Governmental activities increased the City of Natalia, Texas' Net Position by \$26,543, thereby accounting for 67.21 percent of the total increase in the Net Position of the City of Natalia, Texas. This increase is due mainly to careful budget management.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$27,344	\$46,798	\$783,671	\$657,761	\$811,015	\$704,559
Operating Grants and Contributions		31,071			0	31,071
Capital Grants and Contributions	77,797	130,000		253,004	77,797	383,004
General Revenues:						
Maintenance and Operations Taxes	300,663	288,814			300,663	288,814
Sales Taxes	208,282	207,781			208,282	207,781
Franchise Taxes	44,450	38,593			44,450	38,593
Sale of Fixed Assets	0	0	7,721		7,721	0
Unrestricted Investment Earnings	727	552	320	205	1,047	757
Miscellaneous	8,744	7,850			8,744	7,850
Total Revenue	668,007	751,459	791,712	910,970	1,459,719	1,662,429
Expenses:						
General Administration	208,569	\$208,645			208,569	208,645
Public Safety	324,796	297,593			324,796	297,593
Public Facilities	62,575				62,575	0
Public Transportation	7,195	6,041			7,195	6,041
Culture and Recreation	15,458	8,837			15,458	8,837
Interest and Fiscal Charges	7,668	22,915			7,668	22,915
Utility			793,967	781,849	793,967	781,849
Total Expenses	626,261	544,031	793,967	781,849	1,420,228	1,325,880
Increase in Net Position before transfers and special items	41,746	207,428	(2,255)	129,121	39,491	336,549
Transfers	(15,203)	(33,245)	15,203	33,245	0	0
Increase in Net Position	26,543	174,183	12,948	162,366	39,491	336,549
Net Position at 09/30/2017 - Restated	795,159	620,976	1,959,047	1,796,681	2,754,206	2,417,657
Net Position at 09/30/2018	\$821,702	\$795,159	\$1,971,995	\$1,959,047	\$2,793,697	\$2,754,206

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$208,569	\$1,000	\$0	\$0
Public Safety	324,796	26,344		
Public Facilities	62,575			77,797
Public Transportation	7,195			
Culture and Recreation	15,458			
Interest and Fiscal Charges	7,668			
Total Government Activities	\$626,261	\$27,344	\$0	\$77,797

Revenues by source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$27,344	4%
Capital Grants and Contributions	77,797	12%
Maintenance and Operations Taxes	300,663	45%
Sales Taxes	208,282	31%
Franchise Taxes	44,450	7%
Unrestricted Investment Earnings	727	0%
Miscellaneous	8,744	1%
	<u>\$668,007</u>	<u>100%</u>

For the most part, increases and decreases in expenses closely paralleled inflation and growth or decline in the demand for services.

**Business-type Activities:** Business-type activities increased the City of Natalia, Texas' Net Position by \$12,948, accounting for 32.79 percent of the total increase in the government's Net Position. This increase is due mainly to an increase in charges for services and careful budget management.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary government</b>			
Business-type Activities:			
Utility	\$793,967	\$783,671	\$0
Total business-type Activities	<u>\$793,967</u>	<u>\$783,671</u>	<u>\$0</u>

Revenues by source - Business-type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$783,671	99%
Sale of Fixed Assets	7,721	1%
Unrestricted Investment Earnings	320	0%
	<u>\$791,712</u>	<u>100%</u>

## Financial Analysis of the Government's Funds

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

**Governmental funds:** The focus of the City of Natalia, 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 Natalia, 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 Natalia, Texas' governmental funds reported combined ending fund balances of \$301,260, an increase of \$41,920 in comparison with the prior year. Approximately 10% of this total amount \$30,581 constitutes *unassigned fund balance*, which is available for spending at the government's discretion

The general fund is the chief operating fund of the City of Natalia, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$30,581, while total fund balance reached \$30,631. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned, undesignated fund balance represents 6 percent of total general fund expenditures, while total fund balance represents 6 percent of that same amount.

The fund balance of the City of Natalia, Texas' general fund increased by \$4,734 during the current fiscal year. This increase is mainly attributable to careful budget management.

At the end of the current fiscal year the restricted fund balance of the municipal development district fund was \$205,551, while total fund balance reached \$205,551. As a measure of the municipal development district fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 535 percent of total municipal development district fund expenditures, while total fund balance represents 535 percent of that same amount.

The fund balance of the City of Natalia, Texas' municipal development district fund increased by \$30,069 during the current fiscal year. This increase is mainly attributable to sales tax receipts of \$66,998.

***Proprietary funds:*** The City of Natalia, 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 \$166,937. The total increase in Net Position for the Utility Fund was \$12,948. Key factors in this overall increase are examined above.

### **General Fund Budgetary Highlights**

During the year there was no change in appropriations between the original and final amended budget for the general fund.

During the year there was a decrease in appropriations between the original and final amended budget for the municipal development district fund of \$2,374. The main decrease was in general administration of \$2,374.

## Capital Asset and Debt Administration

**Capital assets:** The City of Natalia, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$2,851,976 (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 decrease in the City of Natalia, Texas' investment in capital assets for the current fiscal year was \$40,826 or 1 percent (a 2 percent decrease for governmental activities and a 1 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following: The City had no major construction projects during the year.

### City of Natalia, Texas' Capital Assets (Net of depreciation)

#### CITY OF NATALIA, TEXAS CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$314,953	\$314,953	\$451,824	\$451,824	\$766,777	\$766,777
Construction in Progress	0	61,839	0	0	0	61,839
Building and Improvements	302,809	263,724	42,080	43,187	344,889	306,911
Intangible	0	0	0	0	0	0
Machinery and Equipment	29,958	23,177	43,125	19,472	73,083	42,649
Infrastructure	0	0	0	0	0	0
Distribution System	0	0	1,667,227	1,714,626	1,667,227	1,714,626
Total	\$647,720	\$663,693	\$2,204,256	\$2,229,109	\$2,851,976	\$2,892,802

Additional information of the City of Natalia, Texas' capital assets can be found in note IV.C on pages 38-39 of this report.

**Long-term debt:** At the end of the current fiscal year, the City of Natalia, Texas had the following outstanding bonded debt.

### **City of Natalia, Texas' Outstanding Bonded Debt**

	<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>						
Tax Bonds	\$200,000	\$0	\$16,000	\$184,000	\$18,000	\$166,000
	<u>\$200,000</u>	<u>\$0</u>	<u>\$16,000</u>	<u>\$184,000</u>	<u>\$18,000</u>	<u>\$166,000</u>
<u>Business-type activities:</u>						
Revenue Bonds	\$331,000		\$20,000	\$311,000	\$20,000	\$291,000
	<u>\$331,000</u>	<u>\$0</u>	<u>\$20,000</u>	<u>\$311,000</u>	<u>\$20,000</u>	<u>\$291,000</u>
 Total	 <u>\$531,000</u>	 <u>\$0</u>	 <u>\$36,000</u>	 <u>\$495,000</u>	 <u>\$38,000</u>	 <u>\$457,000</u>

The City of Natalia, Texas' total bonded debt decreased by \$36,000 during the current fiscal year. This was the result of the payment of bond principle of \$36,000.

Additional information on the City of Natalia, Texas' long-term debt can be found in note IV.F on pages 40-42 of this report.

### **Economic Factors**

The Eagle Ford Oil and Gas Shale have brought in new businesses which have increased sales taxes and charges for services.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Natalia, 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 the Office of the Finance Department; P.O. Box 270; Natalia, Texas 78059.

## BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NATALIA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$52,137	\$53,017	\$105,154
Receivables (Net of Allowance for Uncollectibles)	137,591	70,057	207,648
Restricted Assets:			
Cash and Cash Equivalents	261,424	214,830	476,254
Capital Assets Not Being Depreciated:			
Land	314,953	451,824	766,777
Total Capital Assets Being Depreciated, Net			
Building and Improvements	302,809	42,080	344,889
Intangible	0		0
Machinery and Equipment	29,958	43,125	73,083
Distribution System		1,667,227	1,667,227
Total Assets	<u>\$1,098,872</u>	<u>\$2,542,160</u>	<u>\$3,641,032</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>GASB 68</b>			
Deferred Outflow-Contributions After 12/31/2016	13,504	11,564	25,068
Difference in expected and actual experience	1,161	994	2,155
<b>GASB 75</b>			
Difference in assumption changes	1,211	1,037	2,248
Total Deferred Outflows of Resources	<u>15,876</u>	<u>13,595</u>	<u>29,471</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$23,738	\$62,529	\$86,267
Accrued Wages	6,594	4,345	10,939
Interest Payable	229	834	1,063
Deferred Revenues	1,660	0	1,660
Consumer Meter Deposit		81,267	81,267
Noncurrent Liabilities:			
Due Within One Year	30,771	47,953	78,724
Due in More Than One Year	222,741	380,570	603,311
Total Liabilities	<u>285,733</u>	<u>577,498</u>	<u>863,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>GASB 68</b>			
Difference in projected and actual earnings on pension plan inv.	7,313	6,262	13,575
Total Deferred Inflows of Resources	<u>7,313</u>	<u>6,262</u>	<u>13,575</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	441,322	1,805,058	2,246,380
Restricted			
Construction	9,531		9,531
Debt Service	6,496		6,496
Municipal Court Reserve	9,419		9,419
Municipal Development	205,551		205,551
Public Safety	146		146
Unrestricted	149,237	166,937	316,174
Total Net Position	<u>\$821,702</u>	<u>\$1,971,995</u>	<u>\$2,793,697</u>

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and	
		Charges for Services	Operating	Capital	Governmental Activities	Net Activities	Changes in Total
			Grants and Contributions	Grants and Contributions			
<b>Primary Government</b>							
Government Activities:							
General Administration	\$208,569	\$1,000		\$0	(\$207,569)		(\$207,569)
Public Safety	324,796	26,344			(298,452)		(298,452)
Public Facilities	62,575			77,797	15,222		15,222
Public Transportation	7,195				(7,195)		(7,195)
Culture and Recreation	15,458				(15,458)		(15,458)
Interest and Fiscal Charges	7,668				(7,668)		(7,668)
Total Government Activities	626,261	27,344	0	77,797	(521,120)	0	(521,120)
Business-Type Activities:							
Utility	793,967	783,671		0		(10,296)	(10,296)
Total Business-Type Activities	793,967	783,671	0	0	0	(10,296)	(10,296)
Total Primary Government	\$1,420,228	\$811,015	\$0	\$77,797	(521,120)	(10,296)	(531,416)
General Revenues							
Property Taxes, Levies for General Purposes					300,663		300,663
Sales Taxes					208,282		208,282
Franchise Taxes					44,450		44,450
Unrestricted Investment Earnings					727	320	1,047
Sale of Fixed Assets						7,721	7,721
Miscellaneous					8,744		8,744
Transfers					(15,203)	15,203	0
Total General Revenues and Transfers					547,663	23,244	570,907
Change in Net Position					26,543	12,948	39,491
Net Position - Beginning - Restated					795,159	1,959,047	2,754,206
Net Position - Ending					\$821,702	\$1,971,995	\$2,793,697

The accompanying notes are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

CITY OF NATALIA, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	General Fund	Municipal Development District Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$42,606	\$0	\$9,531	\$52,137
Receivables (Net of Allowance for Uncollectibles)	103,287	53	16,340	119,680
Restricted Assets:				
Cash and Cash Equivalents	50	205,827	55,547	261,424
<b>Total Assets</b>	<b>\$145,943</b>	<b>\$205,880</b>	<b>\$81,418</b>	<b>\$433,241</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Accounts Payable	\$7,069	\$329	\$16,340	\$23,738
Accrued Wages	6,594			6,594
Deferred Revenue	1,660			1,660
<b>Total Liabilities</b>	<b>15,323</b>	<b>329</b>	<b>16,340</b>	<b>31,992</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes	99,989			99,989
<b>Total Deferred Inflows of Resources</b>	<b>99,989</b>	<b>0</b>	<b>0</b>	<b>99,989</b>
<b>Fund Balances:</b>				
Restricted				
Construction			9,531	9,531
Debt Service			6,496	6,496
Municipal Court Reserve			9,419	9,419
Municipal Development		205,551		205,551
Public Safety	50		96	146
Committed				
General Reserve			30,667	30,667
Park			8,869	8,869
Unassigned	30,581			30,581
<b>Total Fund Balance</b>	<b>30,631</b>	<b>205,551</b>	<b>65,078</b>	<b>301,260</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$145,943</b>	<b>\$205,880</b>	<b>\$81,418</b>	<b>\$433,241</b>

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds Balance Sheet	\$301,260
--	-----------

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

Capital assets used in governmental activities are not reported in the funds.	647,720
---	---------

Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	99,989
--	--------

**GASB 68**

Deferred Outflow-Contributions After 12/31/2017	13,504
---	--------

Difference in expected and actual experience	1,161
--	-------

Difference in projected and actual earnings on pension plan inv.	(7,313)
--	---------

**GASB 75**

Difference in assumption changes	1,211
----------------------------------	-------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	17,911
---	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(253,741)
---	-----------

Net Position of Governmental Activities - Statement of Net Position	<u>\$821,702</u>
---	------------------

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Municipal Development District Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$288,649	\$0	\$0	\$288,649
Sales	141,284	66,998		208,282
Franchise	44,450			44,450
Intergovernmental and Contributions	31,722		46,075	77,797
Charges for Services	1,000			1,000
Fines and Forfeitures	35,296			35,296
Interest	0	649	78	727
Miscellaneous	7,895	849		8,744
Total Revenues	550,296	68,496	46,153	664,945
<i>EXPENDITURES</i>				
Current:				
General Administration	182,940	14,590		197,530
Public Safety	332,054			332,054
Public Transportation	7,195			7,195
Culture and Recreation			7,029	7,029
Capital Projects -				
Capital Outlay and Other			62,575	62,575
Debt Service				
Principal Retirement		16,000		16,000
Interest Retirement		7,837		7,837
Total Expenditures	522,189	38,427	69,604	630,220
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	28,107	30,069	(23,451)	34,725
<i>OTHER FINANCING SOURCES (USES):</i>				
Other Financing Sources - Capital Lease	22,398			22,398
Operating Transfers In	4,972		91,325	96,297
Operating Transfers Out	(50,743)		(60,757)	(111,500)
Total Other Financing Sources (Uses)	(23,373)	0	30,568	7,195
Net Changes in Fund Balances	4,734	30,069	7,117	41,920
Fund Balances - Beginning	25,897	175,482	57,961	259,340
Fund Balances - Ending	\$30,631	\$205,551	\$65,078	\$301,260

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$41,920

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.	(15,973)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	12,014
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.	(8,952)
<b>GASB 68</b>	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	(9)
Difference in expected and actual experience	2,903
Difference in projected and actual earnings on pension plan inv.	(7,296)
<b>GASB 75</b>	
Difference in assumption changes. This is the change in these amounts this year.	1,211
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(22,398)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	16,000
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(2,484)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	169
(Increase) decrease in OPEB liability from beginning of period to end of period.	2,458
(Increase) decrease in net pension liability from beginning of period to end of period.	6,980
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$26,543</u>

The accompanying notes are an integral part of this statement.



CITY OF NATALIA, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive (Negative)
	Original	Final	Basis	
<b>REVENUES</b>				
Taxes				
Property	\$290,504	\$290,504	\$288,649	(\$1,855)
Sales	148,000	148,000	141,284	(6,716)
Franchise	47,000	47,000	44,450	(2,550)
Intergovernmental	30,000	30,000	31,722	1,722
Charges for Services	500	500	1,000	500
Fines and Forfeitures	40,000	40,000	35,296	(4,704)
Interest	50	50	0	(50)
Miscellaneous	1,050	1,050	7,895	6,845
Total Revenues	557,104	557,104	550,296	(6,808)
<b>EXPENDITURES</b>				
Current:				
General Administration				
Code Compliance	6,900	6,900	2,331	4,569
General Administration	172,780	172,780	180,609	(7,829)
Public Safety				
Animal Control				0
Police	295,530	295,530	290,663	4,867
Municipal Court	18,350	18,350	18,993	(643)
Culture and Recreation				
Parks				0
Public Transportation				
Streets	14,800	14,800	7,195	7,605
Debt Service				
Principal Retirement				0
Interest Retirement				0
Total Expenditures	508,360	508,360	499,791	8,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,744	48,744	50,505	1,761
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out	(48,744)	(48,744)	(50,743)	(1,999)
Total Other Financing Sources (Uses)	(48,744)	(48,744)	(50,743)	(1,999)
Net Changes in Fund Balances - Budgetary Basis	\$0	\$0	(238)	(\$238)
<b>Reconciliation from Cash Basis to Modified Accrual:</b>				
Operating Transfers In			4,972	
Other Financing Sources - Capital Lease			22,398	
Capital Lease - Police Vehicle			(22,398)	
Net Changes in Fund Balances-Modified Accrual Basis			4,734	
Fund Balances - Beginning			25,897	
Fund Balances - Ending			\$30,631	

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

CITY OF NATALIA, TEXAS  
MUNICIPAL DEVELOPMENT DISTRICT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Sales	\$66,000	\$66,000	\$66,998	\$998
Interest	325	325	649	324
Miscellaneous	250	412	849	437
Total Revenues	66,575	66,737	68,496	1,759
<i>EXPENDITURES</i>				
Current:				
General Administration				
General Administration	30,575	28,201	14,590	13,611
Debt Service				
Principal Retirement	23,000	23,000	16,000	7,000
Interest Retirement	13,000	13,000	7,837	5,163
Total Expenditures	66,575	64,201	38,427	25,774
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	0	2,536	30,069	27,533
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	0	2,536	30,069	27,533
Fund Balances - Beginning	175,482	175,482	175,482	
Fund Balances - Ending	\$175,482	\$178,018	\$205,551	\$27,533

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

CITY OF NATALIA, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$53,017	\$139,525	\$53,017
Accounts Receivables (Net of Allowance for Uncollectibles)	70,057	65,656	70,057
Total Current Assets	123,074	205,181	123,074
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents - Water Meters	81,267	44,556	81,267
Cash and Cash Equivalents - Short Lived Assets	18,901		18,901
Cash and Cash Equivalents - Utility Capital	114,662		114,662
Total Restricted Assets	214,830	44,556	214,830
Capital Assets			
Land	451,824	451,824	451,824
Construction in Progress	0	0	0
Buildings and Improvements	57,668	57,668	57,668
Machinery and Equipment	204,272	180,059	204,272
Distribution System	5,445,624	5,373,835	5,445,624
Total Capital Assets	6,159,388	6,063,386	6,159,388
Less Accumulated Depreciation			
Total Capital Assets (Net of Accumulated Depreciation)	(3,955,132)	(3,834,277)	(3,955,132)
	2,204,256	2,229,109	2,204,256
Total Noncurrent Assets	2,204,256	2,229,109	2,204,256
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>GASB 68</b>			
Deferred Outflow-Contributions After 12/31/2016		7,492	0
Deferred Outflow-Contributions After 12/31/2017	11,564		11,564
Difference in expected and actual experience	994		994
<b>GASB 75</b>			
Difference in assumption changes	1,037		1,037
Total Deferred Outflow of Resources	13,595	7,492	13,595
<b>TOTAL ASSETS</b>	<b>\$2,555,755</b>	<b>\$2,486,338</b>	<b>\$2,555,755</b>

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities</b>			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$62,529	\$36,852	\$62,529
Accrued Wages	4,345	4,991	4,345
Accrued Interest Payable	834	866	834
Compensated Absences	6,804	6,569	6,804
Deferred Revenues			0
Capital Leases - Current	21,149	11,142	21,149
Bonds Payable - Current	20,000	20,000	20,000
Total Current Liabilities (Payable from Current Assets)	115,661	80,420	115,661
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	81,267	67,830	81,267
Total Current Liabilities			
Payable from Restricted Assets	81,267	67,830	81,267
Noncurrent Liabilities			
Net Pension Liability	13,155	19,132	13,155
OPEB Payable	9,366	11,471	9,366
Capital Lease Payable	67,049	36,462	67,049
Bonds Payable	291,000	311,000	291,000
Total Noncurrent Liabilities	380,570	378,065	380,570
Total Liabilities	577,498	526,315	577,498
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>GASB 68</b>			
Difference in expected and actual experience		966	0
Difference in projected and actual earnings on investments	6,262	10	6,262
Total Deferred Inflow of Resources	6,262	976	6,262
Invested in Capital Assets, Net of Related Debt	1,805,058	1,850,505	1,805,058
Restricted for Short Lived Assets - Expendable	18,901		18,901
Restricted for Utility Capital - Expendable	114,662		114,662
Unrestricted	33,374	108,542	33,374
Total Net Position	\$1,971,995	\$1,959,047	\$1,971,995

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

CITY OF NATALIA, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services - Water	\$322,207	\$278,299	\$322,207
Charges for Services - Sewer	200,591	150,560	200,591
Charges for Services - Garbage	150,683	144,245	150,683
Charges for Services - General Fees	54,360	44,729	54,360
Charges for Services - Other	45,602	30,812	45,602
Miscellaneous	10,228	9,116	10,228
Total Operating Revenues	783,671	657,761	783,671
OPERATING EXPENSES:			
Personal Services	264,128	260,747	264,128
Supplies	45,305	36,508	45,305
Other Services and Charges	192,371	202,878	192,371
Sanitation Services	126,104	123,113	126,104
Depreciation	153,983	145,677	153,983
Total Operating Expenses	781,891	768,923	781,891
Operating Income (Loss)	1,780	(111,162)	1,780
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	320	205	320
Sale of Fixed Assets	7,721		7,721
Interest and Fiscal Charges	(12,076)	(12,926)	(12,076)
Total Non-Operating Revenues (Expenses)	(4,035)	(12,721)	(4,035)
Income Before Contributions and Transfers	(2,255)	(123,883)	(2,255)
Intergovernmental		253,004	0
Transfers In (Out) - Net	15,203	33,245	15,203
Change in Net Position	12,948	162,366	12,948
Total Net Position - Beginning - Restated	1,959,047	1,796,681	1,959,047
Total Net Position - Ending	\$1,971,995	\$1,959,047	\$1,971,995

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

CITY OF NATALIA, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$792,707	\$643,344	\$792,707
Payments to Suppliers	(338,135)	(346,798)	(338,135)
Payments to Employees	(273,438)	(248,935)	(273,438)
Net Cash Provided (Used) by Operating Activities	181,134	47,611	181,134
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	15,203	33,245	15,203
Intergovernmental		253,004	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	15,203	286,249	15,203
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bonds, Notes and Capital Leases	(31,142)	(29,672)	(31,142)
Proceeds from Capital Debt	51,736		51,736
Sale of Fixed Assets	7,721		7,721
Interest and Fiscal Charges	(12,076)	(12,926)	(12,076)
Purchases of Capital Assets	(129,130)	(232,809)	(129,130)
Net Cash Provided (Used) by Capital and Related Financing Activities	(112,891)	(275,407)	(112,891)
Cash Flows from Investing Activities			
Interest Received	320	205	320
Net Cash Provided (Used) by Investment Activities	320	205	320
Net Increase (Decrease) in Cash Equivalents	83,766	58,658	83,766
Cash and Cash Equivalents at Beginning of Year	184,081	125,423	184,081
Cash and Cash Equivalents at End of Year	\$267,847	\$184,081	\$267,847
Restricted Cash	\$214,830	\$44,556	\$214,830
Unrestricted Cash	53,017	139,525	53,017
	\$267,847	\$184,081	\$267,847

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$1,780	(\$111,162)	\$1,780
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	153,983	145,677	153,983
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(4,401)	2,615	(4,401)
Decrease (Increase) in Prepaid Expenses	0	130	0
<b>GASB 68</b>			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(4,072)	288	(4,072)
Decrease (Increase) Difference in expected and actual exp.	(1,960)	4,745	(1,960)
Increase (Decrease) Difference in proj. and actual earnings	6,252	4,565	6,252
<b>GASB 75</b>			
Decrease (Increase) Difference in assumption changes	(1,037)		(1,037)
Increase (Decrease) in Accounts Payable	25,677	15,582	25,677
Increase (Decrease) in Accrued Wages	(646)	(27)	(646)
Increase (Decrease) in Accrued Interest Payable	(32)	(11)	(32)
Increase (Decrease) in Compensated Absences	235	2,350	235
Increase (Decrease) in Deferred Revenues	0	(14,567)	0
Increase (Decrease) in Consumer Meter Deposits	13,437	(2,465)	13,437
Increase (Decrease) in Net Pension Liability	(5,977)	(109)	(5,977)
Increase (Decrease) in OPEB Payable	(2,105)		(2,105)
Net Cash Provided (Used) by Operating Activities	<u>\$181,134</u>	<u>\$47,611</u>	<u>\$181,134</u>
Noncash Investing, Capital, and Financing Activities:			
Federal Grant Proceeds	\$0	\$253,004	\$0
Capital Lease Proceeds	51,736	0	51,736
	<u>\$51,736</u>	<u>\$253,004</u>	<u>\$51,736</u>

Note: The above funds are all enterprise funds.

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

CITY OF NATALIA, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

I. Summary of significant accounting policies

A Reporting entity/ Basis of Accounting/Measurement Focus

The City of Natalia, 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 Natalia, 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 non-major 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.

The municipal development district fund is used to collect monies for Municipal Development.

### D. Blended Component Units

The municipal development district fund is governed by a board appointed by the City Council. Although they are legally separate from the City, the municipal development district fund is reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. It is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

## E. 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, Sewer, and Garbage) 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:

The utility fund accounts for the activities of the government's water and sewer operations.

## F. Assets, liabilities, and net position or equity

### 1. Deposits and investments

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.

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. Current trade accounts receivable allowance is equal to 1 percent of outstanding utility billings at September 30, 2018, trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding utility billings at September 30, 2018, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding utility billings at September 30, 2018, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding utility billings at September 30, 2018, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding utility billings at September 30, 2018. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2018, and 10 percent of delinquent outstanding property taxes at September 30, 2018.

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 are considered immaterial and, therefore, there were no inventory items at September 30, 2018.

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 no prepaid items at September 30, 2018.

### 4. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by applicable contract covenants.

The restricted assets consist of the following cash items:

	Governmental Activities	Business-type Activities	Total
Restricted for:			
Debt Service	\$6,496		\$6,496
General Reserve	30,667		30,667
Meters		81,267	81,267
Municipal Court Reserve	9,419		9,419
Municipal Development	205,827		205,827
Park	8,869		8,869
Public Safety	146		146
Short Lived Assets		18,901	18,901
Utility Capital		114,662	114,662
Total	\$261,424	\$214,830	\$476,254

## 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 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. The City had no major construction projects during the year.

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

<b>Asset</b>	<b>Years</b>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

## 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 and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

## 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. 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.

## 9. 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 and GASB 75.

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 "measurable" 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.

## 10. 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.

## 11. Fund Balances – Governmental Funds

As of September 30, 2018, 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, 2018, fund balances are composed of the following:

### Fund Balances:

#### Restricted

Construction	\$9,531
Debt Service	6,496
Municipal Court Reserve	9,419
Municipal Development	205,551
Public Safety	146

#### Committed

General Reserve	30,667
Park	8,869

Unassigned	30,581
------------	--------

Total Fund Balance	<u>\$301,260</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. In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 15 to 25 percent of the subsequent year's budgeted General Fund expenditures.

## 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 \$253,741 difference are as follows:

Compensated Absences	\$8,652
Interest Payable	229
Bonds Payable	184,000
Capital Lease	22,398
OPEB Payable	10,938
Net Pension Liability	27,524
	<u>\$253,741</u>

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 \$99,989 difference are as follows:

Property Taxes Receivable	\$108,662
Allowance for Doubtful Accounts	<u>(8,673)</u>
Net	<u>\$99,989</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 \$647,720 difference are as follows:

Capital assets not being depreciated	\$314,953
Capital assets being depreciated	866,703
Depreciation expense	(533,936)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$647,720</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position (continued)

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 "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.\*)" The details of this \$17,911 difference are as follows:

Fines and Fees receivable	\$110,680
Allowance for Doubtful Accounts	<u>(92,769)</u>
Net	<u>\$17,911</u>

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 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 (\$15,973) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	84,237
Capital Outlay - Adjustments and Deletions	(61,839)
Depreciation Expense	(38,371)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$15,973)</u></u>



### III. Stewardship, compliance, and accountability

#### A. Budgetary information

The City Secretary/Administrator has been authorized by the council to prepare the budget. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the City Secretary/Administrator. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Secretary/Administrator is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

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 (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

#### B. Excess of expenditures over appropriations

For the year ended September 30, 2018, excess of expenditures over appropriations did not occur in the general fund.

#### C. Deficit fund equity

The City did not have a deficit fund balance as of September 30, 2018.

#### 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 in compliance with the requirements of the Act and with local policies.

###### Policies Governing Deposits and Investments

The City has a depository contract with its depository bank and has adopted an investment policy. That City 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 City is not exposed to custodial credit risk because during the year the City was fully covered by either depository insurance and/or collateral held by the government's agent in the government's name. The total amount of cash in the bank at September 30, 2018 is \$636,513 while the total pledged securities are \$935,590 and the FDIC insurance coverage is \$280,736. The book balance was \$581,408. As of September 30, 2018, the city had no investments.

## B. Receivables

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

	General	Municipal Development District Fund	Other Governmental Funds	Utility	Total
<u>Receivables</u>					
Taxes	\$108,662				\$108,662
Charges for Services				76,511	76,511
Intergovernmental			16,340		16,340
Fines	110,680				110,680
Other	3,298	53			3,351
Gross receivables	222,640	53	16,340	76,511	315,544
Less: Allowance for uncollectibles	101,442			6,454	107,896
Net total receivables	<u>\$121,198</u>	<u>\$53</u>	<u>\$16,340</u>	<u>\$70,057</u>	<u>\$207,648</u>

## C. Capital assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$314,953	\$0	\$0	\$314,953
Construction in Progress	61,839		61,839	0
Total capital assets not being depreciated	376,792	0	61,839	314,953
Capital assets being depreciated:				
Building and improvements	394,926	61,839	0	456,765
Intangible	0	0	0	0
Machinery and equipment	149,290	22,398	15,000	156,688
Infrastructure	253,250	0	0	253,250
Total capital assets being depreciated	797,466	84,237	15,000	866,703
Less accumulated depreciation for:				
Building and improvements	131,202	22,754		153,956
Intangible	0	0		0
Machinery and equipment	126,113	15,617	15,000	126,730
Infrastructure	253,250	0	0	253,250
Total accumulated depreciation	510,565	38,371	15,000	533,936
Total Capital assets being depreciated, net	286,901	45,866	0	332,767
Governmental activities capital assets, net	\$663,693	\$45,866	\$61,839	\$647,720
Business-type activities:				
Capital assets not being depreciated:				
Land	\$451,824	\$0		\$451,824
Construction in Progress	0			0
Total capital assets not being depreciated	451,824	0	0	451,824
Capital assets being depreciated:				
Building and improvements	57,668	0	0	57,668
Machinery and equipment	180,059	51,736	27,523	204,272
Distribution System	5,373,835	78,654	6,866	5,445,623
Total capital assets being depreciated	5,611,562	130,390	34,389	5,707,563
Less accumulated depreciation for:				
Building and improvements	14,481	1,107		15,588
Machinery and equipment	160,587	28,083	27,523	161,147
Distribution System	3,659,209	124,793	5,606	3,778,396
Total accumulated depreciation	3,834,277	153,983	33,129	3,955,131
Total Capital assets being depreciated, net	1,777,285	(23,593)	1,260	1,752,432
Business-type activities capital assets, net	\$2,229,109	(\$23,593)	\$1,260	\$2,204,256

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

Governmental activities	
General Administration	\$11,153
Public Safety	18,789
Culture and Recreation	8,429
Total depreciation expense - governmental activities	<u>\$38,371</u>
Business-type activities	
Utility	<u>\$153,983</u>
Total depreciation expense - Business-type activities	<u>\$153,983</u>

Construction commitments: The City had no major construction projects during the year.

D. Interfund receivables, payables, and transfers

The City had no interfund receivables at September 30, 2018.

The City had the following transfers for the year ended September 30, 2018. The transfers were all non-recurring.

<u>PRIMARY GOVERNMENT</u>		
<i>ACCOUNT</i>	<i>AMOUNT</i>	<i>REASON</i>
<u>UTILITY FUND</u>		
TRANSFER TO GENERAL FUND	\$19,328	GENERAL OPERATIONS
TRANSFER FROM DEBT SERVICE FUND	(54,236)	GENERAL OPERATIONS
TRANSFER TO OTHER GOVERNMENTAL FUNDS	19,705	GENERAL OPERATIONS
	<u>(\$15,203)</u>	
<u>FUNDS</u>		
<i>ACCOUNT</i>	<i>AMOUNT</i>	<i>REASON</i>
<u>GENERAL FUND</u>		
TRANSFER FROM DEBT SERVICE FUND	\$45,195	GENERAL OPERATIONS
TRANSFER TO OTHER GOVERNMENTAL FUNDS	19,904	GENERAL OPERATIONS
	<u>\$65,099</u>	

## E. Leases

### Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$1,273 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	Amount
2019	\$ 1,273
2020	1,273
2021	1,273
2022	424
2023	<u>0</u>
Total	<u>\$ 4,243</u>

Rent expenditures were \$144 for the year ended September 30, 2018. Sublease rental income was \$0 for the year ended September 30, 2018. Rental income was \$0 for the year ended September 30, 2018.

## F. Long-term debt

### Tax Notes

The government issues combination tax and revenue certificates of obligation for making permanent public improvements and for other public purposes.

Sales Tax bonds have been issued for governmental activities. The original amount issued was \$200,000; the current balance is \$184,000.

Combination Tax and Revenue bonds have also been issued for business-type activities. The original amount issued was \$350,000; the current balance is \$311,000.

The certificates of obligation are secured by the full faith and credit of the government. Bonds outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	3.11%	\$184,000
Business-type activities	1.75-3.75%	\$311,000

The municipal district development fund is used to service the sales tax bonds. The utility fund is used to service the Combination Tax and Revenue bonds.

Annual debt service requirements to maturity for the Sales Tax bonds and the Combination Tax and Revenue bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$18,000	\$5,443	\$20,000	\$9,609
2020	19,000	4,867	20,000	9,179
2021	19,000	4,276	21,000	8,697
2022	20,000	3,670	22,000	8,148
2023	20,000	3,048	22,000	7,543
2024-2028	88,000	5,567	122,000	26,399
2029-2032	0	0	84,000	4,765
TOTALS	\$184,000	\$26,871	\$311,000	\$74,340

### Capital Leases

The Capital Leases consists of a truck and backhoe for the Utility Department at \$80,000 and two vehicles for the Utility Department at \$51,736 and one police vehicle for the Police Department at \$22,398. The debt is serviced by the General fund and the Utility Fund.

The accumulated depreciation for the truck and backhoe is \$80,000; and the accumulated depreciation on the two vehicles for the Utility Department and the one police vehicle for the Police Department is \$10,347 and \$4,480, respectively.

The following for the above debt is a schedule of the future minimum lease payments and the present value of net minimum lease payments at September 30, 2018. The security for the capital leases is the equipment financed. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

	Governmental	Business-type	Business-type	Total
	Activities	Activities	Activities	Business-type
YEAR	Amount	Amount	Amount	Activities
2019	\$5,059	\$13,247	\$11,686	\$24,933
2020	5,059	13,246	11,686	24,932
2021	5,059	13,246	11,686	24,932
2022	5,059		11,686	11,686
2023	5,059		11,686	11,686
Total Minimum Lease Payments	25,295	39,739	58,430	98,169
Less: Amount Representing Interest	2,897	3,277	6,694	9,971
Present Value of Net Minimum Lease Payments	\$22,398	\$36,462	\$51,736	\$88,198

## Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year	Due after one year
<u>Governmental activities:</u>						
Capital Lease	\$0	\$22,398		\$22,398	\$4,119	\$18,279
Tax Bond Payable	200,000		16,000	184,000	18,000	166,000
Net Pension Liability	34,504		6,980	27,524	0	27,524
OPEB Payable	13,396		2,458	10,938	0	10,938
Compensated Absences	6,168	8,652	6,168	8,652	8,652	0
	<u>254,068</u>	<u>31,050</u>	<u>31,606</u>	<u>253,512</u>	<u>30,771</u>	<u>222,741</u>
<u>Business-type activities:</u>						
Compensated Absences	6,569	6,804	6,569	6,804	6,804	0
Revenue Bonds	331,000		20,000	311,000	20,000	291,000
Net Pension Liability	19,132		5,977	13,155	0	13,155
OPEB Payable	11,471		2,105	9,366	0	9,366
Capital Lease	47,604	51,736	11,142	88,198	21,149	67,049
	<u>415,776</u>	<u>58,540</u>	<u>45,793</u>	<u>428,523</u>	<u>47,953</u>	<u>380,570</u>
Grand Total	<u>\$669,844</u>	<u>\$89,590</u>	<u>\$77,399</u>	<u>\$682,035</u>	<u>\$78,724</u>	<u>\$603,311</u>

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2019 year is \$15,456.

The government-wide statement of activities includes \$78,724 as "noncurrent liabilities, due within one year".

The total amount of interest expensed in 2017-2018 is \$19,744. There was no interest capitalized in capital assets.

## 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 09/30/18	Year ended 09/30/17
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	-0-	-0-
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. Related party transaction

There were no related party transactions noted for the year ended September 30, 2018.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The City was not a defendant at September 30, 2018.

D. Subsequent events

On April 29, 2019:

1. The Council approved the Ordinance of Issuance of Combination Tax and Subordinate Lien Revenue Certificate of Obligation, Series 2019A in the amount of \$964,000.00, with the intended use of Water System Improvements.
2. The Council approved the Ordinance of Issuance of Combination Tax and Subordinate Lien Revenue Certificate of Obligation, Series 2019B in the amount of \$584,000.00, with the intended use of Water System Improvements.
3. The Council approved the refinance Series 2015 of Combination Tax and Subordinate Lien Revenue Refunding Bond, Series 2019 in the amount of \$363,000.00.
4. The Council approved the award of a Construction Contract to QRO Mex Construction Company for the USDA-RUS Water Distribution System Improvements Project in the amount of \$554,508.00.
5. The Council approved the award of a Construction Contract to MGB Construction, Inc. for the USDA-RUS Well Site Improvements Project in the amount of \$254,050.00.
6. The Council approved the award of a Construction Contract to Barclays Premier Utility Services, LLC for the USDA-RUS Gravity Sewer Replacement Project in the amount of \$165,170.00.
7. The Council approved the award of a Construction Contract to QRO Mex Construction Company for the USDA-RUS Wastewater Collection System Improvements Project in the amount of \$689,776.00.
8. The Council approved the award of a Construction Contract for the TxCBDG Contract No. to Lonestar Sight Work for the Natalia Downtown Revitalization Program Project in the amount of \$131,198.50.

On May 20, 2019: The Council approved the Write-off of Uncollected aged receivables from Natalia Municipal Court from periods beginning October 1, 2002 through September 30, 2014 in the amount of \$905,562.20.

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 both governmental activities' Net Position and the business-type activities' Net Position restated downward by \$13,396 and \$11,471, respectively due to the City implementing GASB 75. The restatements had the corresponding effect on the beginning Net Position as follows:

	Net Position, as Previously Reported	GASB 75 RESTATEMENT	Net Position As Restated
<b>Governmental Activities:</b>			
Net Position	\$808,555	(\$13,396)	\$795,159
<b>Total Governmental Activities</b>	<u>\$808,555</u>	<u>(\$13,396)</u>	<u>\$795,159</u>

	Net Position, as Previously Reported	GASB 75 RESTATEMENT	Net Position As Restated
<b>Business-Type Activities:</b>			
Net Position	\$1,970,518	(\$11,471)	\$1,959,047
<b>Total Business-Type Activities</b>	<u>\$1,970,518</u>	<u>(\$11,471)</u>	<u>\$1,959,047</u>

## F. Defined Benefit Pension Plans

### EXECUTIVE SUMMARY

as of December 31, 2017

Actuarial Valuation and Measurement Date, December 31,	2016	2017
<b>Membership</b>		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	2	2
- Inactive employees entitled to but not yet receiving benefits	14	13
- Active employees	11	12
- Total	<u>27</u>	<u>27</u>
 Covered Payroll	 \$394,493	 \$379,668
 <b>Net Pension Liability</b>		
Total Pension Liability	\$291,658	\$331,641
Plan Fiduciary Net Position	<u>238,022</u>	<u>290,962</u>
Net Pension Liability/(Asset)	\$53,636	\$40,679
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 81.61%	 87.73%
 Net Pension Liability/(Asset) as a Percentage of Covered Payroll	 13.60%	 10.71%
 <b>Development of the Single Discount Rate</b>		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	3.78%	3.31%
 Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	 N/A	 N/A

### **SCHEDULE OF PENSION EXPENSE**

1. Total Service Cost	\$26,956
2. Interest on the Total Pension Liability	20,253
3. Changes in Current Period Benefits Including Substantively Automatic Status	0
4. Employee Contributions (Reduction of Expense)	(18,983)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(16,066)
6. Administrative Expense	171
7. Other Changes in Fiduciary Net Position	9
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	795
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	(3,394)
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	2,812
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	3,066
12. Total Pension Expense (Income)	<u>\$15,619</u>

# SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	2017 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.7100	\$2,950	\$795	\$2,155
Change in assumptions [actuarial (gains) or losses]	3.7100	\$0	\$0	\$0
			<u>\$795</u>	<u>\$2,155</u>
<b>Due to Assets:</b>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	(\$16,969)	(\$3,394)	(\$13,575)
			<u>(\$3,394)</u>	<u>(\$13,575)</u>
<b>Total:</b>				<u>(\$11,420)</u>

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

B.

	Net deferred outflows (inflows) of resources
2018	\$3,200
2019	(575)
2020	(2,835)
2021	(3,393)
2022	0
Thereafter	0
Total	<u>(\$3,603)</u>

Note to City:

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 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 68 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%
\$84,104	\$40,679	\$4,772

## 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 postretirement 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

### ***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. 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 Natalia annual annuity increases of 1.86% 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 Natalia the base table is then multiplied by a factor of 80.0% 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 Natalia the base table is then multiplied by a factor of 80.0% 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 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to 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,
- 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.

- 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.

#### **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 "(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	Total	Measurement Year						
	Recognition period (or amortization years)	Remaining (Inflow) or Outflow of Resources	2017	2018	2019	2020	2021	2022	Thereafter
<div>Due to</div> <div>Liabilities:</div>									
difference in experiences (inflows)/outflows									
2017	3.7100	\$2,950	\$795	\$795	\$795	\$565	\$0	\$0	\$0
2016	2.5900	(2,708)	(1,046)	(1,046)	(616)	0	0	0	0
2015	1.8400	4,577	2,487	2,090	0	0	0	0	0
2014	1.0000	(639)	(639)	0	0	0	0	0	0
Total			\$1,597	\$1,839	\$179	\$565	\$0	\$0	\$0
change in assumptions (inflows)/outflows									
2015	1.8400	\$3,697	\$2,010	\$1,687	\$0	\$0	\$0	\$0	\$0
Total			\$2,010	\$1,687	\$0	\$0	\$0	\$0	\$0
<div>Due to Assets:</div>									
excess investment returns (inflows)/outflows									
2017	5.0000	(\$16,969)	(\$3,394)	(\$3,394)	(\$3,394)	(\$3,394)	(\$3,393)	\$0	\$0
2016	4.0000	(27)	(7)	(7)	(7)	(6)	0	0	0
2015	3.0000	7,945	2,649	2,649	2,647	0	0	0	0
2014	2.0000	850	424	426	0	0	0	0	0
Total			(\$328)	(\$326)	(\$754)	(\$3,400)	(\$3,393)	\$0	\$0

## G. GASB 75 Information

### Actuarial and Financial Schedules

As of Measurement Date of December 31, 2017

Actuarial Valuation and Measurement Date, December 31, 2017

#### Membership

Number of

-Inactive employees currently receiving benefits	2
-Inactive employees entitled to but not yet receiving benefits	3
-Active employees	12
-Total	17

Covered Payroll \$379,668

#### Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$20,304
Changes for the year	
Service cost	1,595
Interest on Total OPEB Liability	796
Changes of benefit term	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	2,248
Benefit payments	(76)
Net changes	4,563
Total OPEB Liability - end of year	\$24,867

Total OPEB Liability as a Percentage of Covered Payroll 6.55%

**Summary of Actuarial Assumptions:**

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:**

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$30,772	\$24,867	\$20,338

**OPEB Expense:**

Service cost	\$1,595
Interest on total OPEB Liability	796
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	0
Changes in assumptions or other inputs	356
Total OPEB expense	<hr/> \$2,747

**Deferred (Inflows)/Outflows of Resources:**

	<b>Deferred (Inflows) of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions and other inputs	0	1,892
Contributions made subsequent to measurement date	N/A	[CITY TO PROVIDE]
Total (excluding contributions made subsequent to measurement date)	\$ 0	\$ 1,892

Note: The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources. Please see page 7 for retiree rates and a description of the calculation.

**Schedule of Outflows and Inflows - Current and future expense**

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2017 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	6.3200	\$0	\$0	\$0
Change in assumptions [actuarial (gains) or losses]	6.3200	\$2,248	\$356	\$1,892
Contributions made subsequent to measurement date		[Provided by City]	[Provided by City]	[Provided by City]
<b>Total (excluding city provided contributions made subsequent to measurement date):</b>				<b>\$1,892</b>

**Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):**

	Net deferred outflows (inflows) of resources
2018	\$356
2019	356
2020	356
2021	356
2022	356
Thereafter	112
	<b>\$1,892</b>

**Amortization Schedule - Deferred (Inflows)/Outflows of Resources**

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2017	2018	2019	2020	2021	2022	Thereafter
difference in experience (inflows)/outflows									
2017	6.3200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		<b>Total</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
change in assumptions (inflows)/outflows									
2017	6.3200	\$2,248	\$356	\$356	\$356	\$356	\$356	\$356	\$112
		<b>Total</b>	\$356	\$356	\$356	\$356	\$356	\$356	\$112



**Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):**

<b>Plan/Calendar Year</b>	<b>Total SDB Contribution (Rate)</b>	<b>Retiree Portion of SDB Contribution (Rate)</b>
2017	0.18%	0.02%
2018	0.20%	0.02%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll \* Retiree Portion of SDB Contribution (Rate)

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

# 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.

## ***I. Economic Assumptions***

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
- C. 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%

## 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 Natalia the base table is then multiplied by a factor of 80.0% 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 Natalia the base table is then multiplied by a factor of 80.0% 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 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to 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 OPEB liability and the OPEB 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 97.0%. 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 OPEB liability and the OPEB 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 OPEB liability and the 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. 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

G. 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			Females		
	Entry Age Groups			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 – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- 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.
- C. 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 to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

### **IV. *Other Assumptions***

- 1. 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(G).
- 2. There will be no recoveries once disabled.
- 3. Decrement timing: Decrements of all types are assumed to occur mid-year.

4. 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.
5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
6. 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.
7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. 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 and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. 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.



# Glossary of Terms

<b><i>Actuarial Assumptions</i></b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b><i>Actuarial Cost Method</i></b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<b><i>Actuarial Gain (Loss)</i></b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b><i>Actuarial Present Value (APV)</i></b>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<b><i>Actuarial Valuation</i></b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<b><i>Actuarially Determined Contribution (ADC)</i></b>	A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.
<b><i>Covered Payroll</i></b>	The payroll of employees that are provided with OPEB.
<b><i>Deferred Inflows and Outflows</i></b>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences or changes of assumptions. The portion of these amounts not included in OPEB expense should be included in the deferred inflows or outflows of resources.

# Glossary of Terms

<b><i>Discount Rate</i></b>	The discount rate is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).
<b><i>Entry Age Normal Actuarial Cost Method (EAN)</i></b>	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability.
<b><i>GASB</i></b>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<b><i>Other Postemployment Benefits (OPEB)</i></b>	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
<b><i>Real Rate of Return</i></b>	The rate of return on an investment after adjustment to eliminate inflation.
<b><i>Service Costs</i></b>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<b><i>Total OPEB Liability</i></b>	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.
<b><i>Total OPEB Expense</i></b>	The total OPEB expense is the sum of the following items: <ol style="list-style-type: none"><li>1. Service Cost</li><li>2. Interest on the Total OPEB Liability</li><li>3. Current-Period Benefit Changes</li><li>4. Administrative Expense</li><li>5. Recognition of Outflow (Inflow) of Resources due to Liabilities</li></ol>

## REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2017	2016	2015
1. Service Cost	\$26,956	\$28,009	\$26,124
2. Interest (on the Total Pension Liability)	20,253	18,176	15,624
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	2,950	(3,754)	9,551
5. Changes of assumptions	0	0	7,717
6. Benefit payments, including refunds of employee contributions	(10,176)	(12,090)	(15,662)
7. Net change in total pension liability	39,983	30,341	43,354
8. Total pension liability -- beginning	291,658	261,317	217,963
9. Total pension liability - ending	331,641	291,658	261,317

B. Plan fiduciary net position

1. Contributions - employer	11,277	9,147	10,578
2. Contributions - employee	18,983	19,725	19,096
3. Net investment income	33,035	14,032	285
4. Benefit payments, including refunds of employee contributions	(10,176)	(12,090)	(15,662)
5. Administrative Expense	(171)	(158)	(174)
6. Other	(9)	(9)	(9)
7. Net change in plan fiduciary net position	52,940	30,647	14,114
8. Plan fiduciary net position - beginning	238,022	207,375	193,259
9. Plan fiduciary net position - ending*	290,962	238,022	207,373

C. Net pension liability (A.9 - B.9)

\$40,679	\$53,636	\$53,944
----------	----------	----------

D. Plan fiduciary net position as a percentage  
of the total pension liability (B.9 / A.9)

87.73%	81.61%	79.36%
--------	--------	--------

E. Covered-employee payroll (B.9 / A.9)

\$379,668	\$394,493	\$381,929
-----------	-----------	-----------

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

10.71%	13.60%	14.12%
--------	--------	--------

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

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered 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	21 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 generated basis with scale BB

**Other Information:**

Notes

There were no benefit changes during the year.

## OPEB Retirement System Information:

### OPEB Plans

#### Changes in the Total OPEB Liability

Changes for the year	2017
1. Service Cost	\$1,595
2. Interest on Total OPEB Liability	796
3. Changes of benefit terms	0
4. Difference between expected and actual experience	0
5. Changes in assumptions or other inputs	2,248
6. Benefit payments	<u>(76)</u>
7. Net changes	4,563
Total OPEB Liability - beginning of year	<u>20,304</u>
Total OPEB Liability - end of year	<u><u>\$24,867</u></u>
E. Covered-employee payroll (B.9 / A.9)	\$379,668
F. Total OPEB Liability as a Percentage of Covered Payroll	6.55%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF NATALIA, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	SPECIAL REVENUE				DEBT SERVICE	CAPITAL PROJECTS	
	General Reserve	Municipal Court Reserve	NPD Impound Fund	Park Fund	Debt Service Fund	Grant Fund	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$0	\$0	\$0	\$0	\$0	\$9,531	\$9,531
Receivables (net of allowance for uncollectibles)						16,340	16,340
Restricted Assets:							
Cash and Cash Equivalents	30,667	9,419	96	8,869	6,496		55,547
<b>Total Assets</b>	<b>\$30,667</b>	<b>\$9,419</b>	<b>\$96</b>	<b>\$8,869</b>	<b>\$6,496</b>	<b>\$25,871</b>	<b>\$81,418</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable						\$16,340	\$16,340
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>			<b>0</b>	<b>16,340</b>	<b>16,340</b>
<b>Fund Balances</b>							
Restricted							
Construction						9,531	9,531
Debt Service					6,496		6,496
Municipal Court Reserve		9,419					9,419
Public Safety			96				96
Committed							
General Reserve	30,667						30,667
Park				8,869			8,869
<b>Total Fund Balances</b>	<b>30,667</b>	<b>9,419</b>	<b>96</b>	<b>8,869</b>	<b>6,496</b>	<b>9,531</b>	<b>65,078</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$30,667</b>	<b>\$9,419</b>	<b>\$96</b>	<b>\$8,869</b>	<b>\$6,496</b>	<b>\$25,871</b>	<b>\$81,418</b>

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



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

	SPECIAL REVENUE				DEBT SERVICE	CAPITAL PROJECTS	
	General Reserve	Municipal Court Reserve	NPD Impound Fund	Park Fund	Debt Service Fund	Grant Fund	Total
<i>REVENUES</i>							
Intergovernmental						\$46,075	\$46,075
Interest	59	19					78
Total Revenues	59	19	0	0	0	46,075	46,153
<i>EXPENDITURES</i>							
Current:							
Culture and Recreation				7,029			7,029
Capital Projects -							
Capital Outlay and Other						62,575	62,575
Total Expenditures	0	0	0	7,029	0	62,575	69,604
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	59	19	0	(7,029)	0	(16,500)	(23,451)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	18,740	1,359			45,195	26,031	91,325
Operating Transfers Out	(6,521)				(54,236)		(60,757)
Total Other Financing Sources (Uses)	12,219	1,359	0	0	(9,041)	26,031	30,568
Net Changes in Fund Balances	12,278	1,378	0	(7,029)	(9,041)	9,531	7,117
Fund Balances - Beginning	18,389	8,041	96	15,898	15,537		57,961
Fund Balances - Ending	\$30,667	\$9,419	\$96	\$8,869	\$6,496	\$9,531	\$65,078

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