

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: beyrandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

Please reply to Pleasanton address

Honorable Mayor
and City Council
City of Elmendorf
Elmendorf, Texas 78112

As a result of our observations concerning the accounting and financial aspects of the records of the City of Elmendorf, Texas during our audit for the year ended September 30, 2016, we noted certain immaterial matters and these matters are summarized below for your consideration. The following management points will be reviewed as part of next year's audit:

Administrative:

Finding:

1. We noted that several vendors on the vendor list have no addresses listed.

Recommendation

We recommend the City update its vendor list, and make changes to it as they occur to ensure the list remains current at all times.

These comments and recommendations are made in a constructive spirit and in the best interest of the City of Elmendorf, Texas. We will be glad to review and discuss them in more detail with the City personnel at your request.

Sincerely,

Wayne R. Beyer

BEYER & CO.
Certified Public Accountants
March 7, 2017

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To the Mayor and City Council
City of Elmendorf, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Elmendorf, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elmendorf, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elmendorf, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

1. Segregation of Duties/ Review and Initialing

Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. The City should work to eliminate the lack of segregation of duties through a process of review and initialing.

This comment was listed on the prior year's report.

This communication is intended solely for the information and use of management, City Council, and others within the City of Elmendorf, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
March 7, 2017

CITY OF ELMENDORF, TEXAS

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

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Elmendorf, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Employees Retirement System Information on pages 3-12 and 59-61 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.



BEYER & COMPANY
Certified Public Accountants
March 7, 2017

Management's Discussion and Analysis

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

Financial Highlights

- . The assets of the City of Elmendorf, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$1,652,430 (net position). Of this amount, \$886,379 or 54% (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 \$428,313. This increase is mainly attributable to an increase in charges for services of \$309,403, an increase in sales taxes of \$223,097, and careful budget management.
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$157,203 or 15 percent of total general fund expenditures.
- . The City of Elmendorf, Texas' restricted net position at September 30, 2016 was \$107,402.
- . The City of Elmendorf, Texas' total debt decreased by \$61,328 (5%) during the current fiscal year. The key factor in this decrease was the payment of bonds and capital leases.

Overview of the Financial Statements

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

The *statement of net position* presents information on all of the City of Elmendorf, 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 Elmendorf, 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 Elmendorf, 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 Elmendorf, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Elmendorf, Texas include a Water and Sewer System.

The government-wide financial statements include only the City of Elmendorf, 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 Elmendorf, 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 Elmendorf, 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 Elmendorf, Texas maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The City of Elmendorf, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary funds: The City of Elmendorf, 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 Elmendorf, Texas uses enterprise funds to account for its Water and Sewer 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 information for the Water and Sewer operations, which is considered to be a major fund of the City of Elmendorf, Texas. The basic proprietary fund financial statements can be found on pages 20-24 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 25-58 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 Elmendorf, Texas, assets exceeded liabilities by \$1,652,430 at the close of the most recent fiscal year.

A portion of the City of Elmendorf, Texas' net position (40 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 Elmendorf, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Elmendorf, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ELMENDORF, TEXAS
NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$494,713	\$329,948	\$492,771	\$339,684	\$987,484	\$669,632
Restricted Assets:	107,502	112,844			107,502	112,844
Capital Assets:	1,740,677	1,686,041	155,015	173,833	1,895,692	1,859,874
Total Assets	2,342,892	2,128,833	647,786	513,517	2,990,678	2,642,350
Total Deferred Outflows of Resources	16,033	10,366	15,286	9,885	31,319	20,251
Long-Term Liabilities	1,227,516	1,279,883	26,494	35,455	1,254,010	1,315,338
Other Liabilities (Payable from Restricted Assets)	0	0	1,300	1,300	1,300	1,300
Other Liabilities	71,728	73,910	42,529	47,265	114,257	121,175
Total Liabilities	1,299,244	1,353,793	70,323	84,020	1,369,567	1,437,813
Total Deferred Inflows of Resources	0	343	0	328	0	671
Invested in Capital Assets, Net of Related Debt	527,677	414,295	130,972	140,774	658,649	555,069
Restricted	107,402	112,844	0	0	107,402	112,844
Unrestricted	424,602	257,924	461,777	298,280	886,379	556,204
Total Net Position	\$1,059,681	\$785,063	\$592,749	\$439,054	\$1,652,430	\$1,224,117

An additional portion of the City of Elmendorf, Texas' net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$886,379) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's total net position increased by \$428,313. This increase is mainly attributable to an increase in charges for services of \$309,403, an increase in sales taxes of \$223,097, and careful budget management.

Governmental activities: Governmental activities increased the City of Elmendorf, Texas' net position by \$274,618 which accounted for 64 percent of the total growth in the net position of the City of Elmendorf, Texas. Key elements of this increase are as follows: This increase is mainly attributable to an increase in charges for services of \$193,754, an increase in sales taxes of \$223,097, and careful budget management.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$367,519	\$173,765	\$1,161,064	\$1,045,415	\$1,528,583	\$1,219,180
Operating Grants and Contributions	0	67,034	0	0	0	67,034
General Revenues:						
Maintenance and Operations Taxes	272,798	206,531			272,798	206,531
Sales Taxes	374,316	151,219			374,316	151,219
Franchise Taxes	70,095	57,645			70,095	57,645
Licenses and Permits	22,213	92,146			22,213	92,146
Unrestricted Investment Earnings	135		161		296	0
Miscellaneous	58,549	36,550			58,549	36,550
Total Revenue	1,165,625	784,890	1,161,225	1,045,415	2,326,850	1,830,305
Expenses:						
General Administration	445,781	298,658			445,781	298,658
Public Safety	287,826	202,948			287,826	202,948
Public Facilities	46,001	49,578			46,001	49,578
Public Transportation	131,295	69,204			131,295	69,204
Culture and Recreation	4,363				4,363	0
Interest and Fiscal Charges	41,950	43,921			41,950	43,921
Utility			941,321	842,267	941,321	842,267
Total Expenses	957,216	664,309	941,321	842,267	1,898,537	1,506,576
Increase in Net Position Before Transfers and Special Items	208,409	120,581	219,904	203,148	428,313	323,729
Transfers	66,209	98,915	(66,209)	(98,915)	0	0
Increase in Net Position	274,618	219,496	153,695	104,233	428,313	323,729
Net Position at 09/30/2015	785,063	565,567	439,054	334,821	1,224,117	900,388
Net Position at 09/30/2016	\$1,059,681	\$785,063	\$592,749	\$439,054	\$1,652,430	\$1,224,117

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$445,781	\$5,015	\$0
Public Safety	287,826	362,504	
Public Facilities	46,001		
Public Transportation	131,295		
Culture and Recreation	4,363		
Interest and Fiscal Charges	41,950		
Total Government Activities	<u>\$957,216</u>	<u>\$367,519</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$367,519	32%
Maintenance and Operations Taxes	272,798	23%
Sales Taxes	374,316	32%
Franchise Taxes	70,095	6%
Licenses and Permits	22,213	2%
Unrestricted Investment Earnings	135	0%
Miscellaneous	58,549	5%
	<u>\$1,165,625</u>	<u>100%</u>

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

Business-type activities: Business-type activities increased the City of Elmendorf, Texas' net position by \$153,695, accounting for 36 percent of the total growth in the government's net position. Key elements of this increase are as follows: This increase is mainly attributable to an increase in charges for services of \$115,649 and careful budget management.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary government			
Business-Type Activities:			
Utility	\$941,321	\$1,161,064	\$0
Total Business-Type Activities	\$941,321	\$1,161,064	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$1,161,064	100%
Unrestricted Investment Earnings	161	0%
	\$1,161,225	100%

Financial Analysis of the Government's Funds

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

Governmental fund: The focus of the City of Elmendorf, 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 Elmendorf, Texas' financing requirements. In particular, *uncommitted 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 Elmendorf, Texas' governmental funds reported combined ending fund balances of \$264,605, an increase of \$26,688 in comparison with the prior year. Approximately 59% of this total amount \$157,203 constitutes *uncommitted, undesignated fund balance*, which is available for spending at the government's discretion. There is no fund balance that is *reserved or designated*.

The general fund is the chief operating fund of the City of Elmendorf, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$157,203 while total fund balance reached \$264,505. 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 fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 26 percent of that same amount.

The fund balance of the City of Elmendorf, Texas' general fund increased by \$45,558 during the current fiscal year. Key factor in this increase is as follows: This increase is mainly attributable to an increase in sales taxes of \$223,097 and careful budget management.

There is no analysis for the Butterfield PID fund because it is used to pay back to the developer for infrastructure expenses from tax assessments on the property.

Proprietary funds: The City of Elmendorf, 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 \$461,777. The total increase in net position for the Utility fund was \$153,695. Key factors in this overall increase are as follows:

1. This increase is mainly attributable to an increase in charges for services of \$115,649 and careful budget management.

General Fund Budgetary Highlights

During the year there was an increase of \$74,246 in appropriations between the original and final amended budget for the general fund. The main increase was in the police department which increased by \$34,950. Overall, the total actual expenditures of \$902,482 were under the budgeted amount of \$1,004,950 by \$102,468.

Capital Asset and Debt Administration

Capital assets: The City of Elmendorf, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$1,895,692 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Elmendorf, Texas' investment in capital assets for the current fiscal year was 2 percent (a 3 percent increase for governmental activities and a 11 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following: The government had no major capital events during the 2015-2016 year.

CITY OF ELMENDORF, TEXAS CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$54,388	\$54,388	\$30	\$30	\$54,418	\$54,418
Construction in Progress	0	0	0	0	0	0
Building and Improvements	1,501,727	1,494,680	37,779	39,011	1,539,506	1,533,691
Machinery and Equipment	120,832	70,985	117,206	134,792	238,038	205,777
Intangible	0	0			0	0
Infrastructure	63,730	65,988			63,730	65,988
Distribution System					0	0
Total	\$1,740,677	\$1,686,041	\$155,015	\$173,833	\$1,895,692	\$1,859,874

Additional information of the City of Elmendorf, Texas' capital assets can be found in note IV.C on pages 37-38 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Elmendorf, Texas had the following 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>						
Bonds Payable	\$1,229,000	\$0	\$16,000	\$1,213,000	\$16,000	\$1,197,000
Grand Total	<u>\$1,229,000</u>	<u>\$0</u>	<u>\$16,000</u>	<u>\$1,213,000</u>	<u>\$16,000</u>	<u>\$1,197,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 25 percent of its total assessed valuation. The current debt limitation for the City of Elmendorf, Texas is \$11,132,934, which is significantly in excess of the City of Elmendorf, Texas' outstanding general obligation debt.

Additional information on the City of Elmendorf, Texas' long-term debt can be found in note IV.F on page 39-41 of this report.

Economic Factors:

The City saw a 28% increase in its water usage costs in January 2014 from the City of San Antonio (SAWS). The City has a two year contract and can expect another 10% increase in January 2017. As a result, the City is seeking to build water facilities including an elevated storage tank and wells. The City is seeking to finance this construction from a loan and a grant from the USDA.

The City is also expecting a huge increase in sales tax proceeds from the new Tex-Best travel center constructed within the City.

Requests for Information

This financial report is designed to provide a general overview of the City of Elmendorf, 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 247, Elmendorf, Texas 78112.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$198,353	\$378,166	\$576,519
Receivables (Net of Allowance for Uncollectibles)	296,039	114,299	410,338
Net Pension Receivable	321	306	627
Restricted Assets:			
Cash and Cash Equivalents	107,502		107,502
Capital Assets Not Being Depreciated:			
Land	54,388	30	54,418
Total Capital Assets Being Depreciated, Net			
Building and Improvements	1,501,727	37,779	1,539,506
Machinery and Equipment	120,832	117,206	238,038
Intangible	0		0
Infrastructure	63,730		63,730
Total Assets	\$2,342,892	\$647,786	\$2,990,678
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources-Contributions (after 12/31/14)	11,686	11,143	22,829
Deferred Outflow-Investment Experience	3,313	3,158	6,471
Deferred Outflow-Actual Experience vs. Assumption	1,034	985	2,019
Total Deferred Outflows of Resources	16,033	15,286	31,319
LIABILITIES:			
Accounts Payable	\$57,199	\$36,957	\$94,156
Accrued Wages	7,543	5,572	13,115
Accrued Interest	6,986		6,986
Consumer Meter Deposit		1,300	1,300
Noncurrent Liabilities:			
Due Within One Year	30,516	11,467	41,983
Due in More Than One Year	1,197,000	15,027	1,212,027
Total Liabilities	1,299,244	70,323	1,369,567
NET POSITION			
Invested in Capital Assets, Net of Related Debt	527,677	130,972	658,649
Restricted			
Butterfield Ranch PID No. 1	100		100
Construction	100		100
Debt Service	100,872		100,872
PEG Fund	6,430		6,430
Unrestricted	424,502	461,777	886,279
Total Net Position	\$1,059,681	\$592,749	\$1,652,430

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Revenue and Changes in Total
Primary Government						
Government Activities:						
General Administration	\$445,781	\$5,015	\$0	(\$440,766)		(\$440,766)
Public Safety	287,826	362,504		74,678		74,678
Public Facilities	46,001			(46,001)		(46,001)
Public Transportation	131,295			(131,295)		(131,295)
Culture and Recreation	4,363			(4,363)		(4,363)
Interest and Fiscal Charges	41,950			(41,950)		(41,950)
Total Government Activities	957,216	367,519	0	(589,697)	0	(589,697)
Business-Type Activities:						
Utility (Water, Garbage, and Sewer)	941,321	1,161,064			219,743	219,743
Total Business-Type Activities	941,321	1,161,064	0	0	219,743	219,743
Total Primary Government	\$1,898,537	\$1,528,583	\$0	(589,697)	219,743	(369,954)
General Revenues						
Property Taxes, Levies for General Purposes				272,798		272,798
Sales Taxes				374,316		374,316
Franchise Taxes				70,095		70,095
Licenses and Permits				22,213		22,213
Unrestricted Investment Earnings				135	161	296
Miscellaneous				58,549		58,549
Transfers				66,209	(66,209)	0
Total General Revenues and Transfers				864,315	(66,048)	798,267
Change in Net Position				274,618	153,695	428,313
Net Position - Beginning				785,063	439,054	1,224,117
Net Position - Ending				\$1,059,681	\$592,749	\$1,652,430

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

	General Fund	Butterfield PID Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$198,353	\$0	\$198,353
Receivables (Net of Allowance for Uncollectibles)	61,974		61,974
Restricted Assets:			
Cash and Cash Equivalents	107,402	100	107,502
Total Assets	\$367,729	\$100	\$367,829
LIABILITIES AND FUND BALANCES:			
Accounts Payable	\$57,199		\$57,199
Accrued Wages	7,543		7,543
Total Liabilities	64,742	0	64,742
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	38,482		38,482
Fund Balances:			
Restricted			
Butterfield Ranch PID No. 1		100	100
Construction	100		100
Debt Service	100,872		100,872
PEG Fund	6,430		6,430
Unassigned	157,103		157,103
Total Fund Balance	264,505	100	264,605
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$329,247	\$100	\$329,347

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - Governmental Funds Balance Sheet	\$264,605
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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.	1,740,677
Net Pension Receivable	321
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	38,482
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	250,098
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,234,502)

Net Position of Governmental Activities - Statement of Net Position	<u>\$1,059,681</u>
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The accompanying notes are an integral part of this statement.

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

	General Fund	Butterfield PID Fund	Total Governmental Funds
REVENUES			
Taxes			
Property	\$270,579		\$270,579
Sales	374,316		374,316
Franchise	70,095		70,095
Licenses and Permits	22,213		22,213
Charges for Services	144,776		144,776
Fines and Forfeitures	68,811	16,015	84,826
Interest	135		135
Miscellaneous	58,549		58,549
Total Revenues	<u>1,009,474</u>	<u>16,015</u>	<u>1,025,489</u>
EXPENDITURES			
Current:			
General Administration	404,982	34,885	439,867
Public Safety	329,592		329,592
Public Facilities	15,698		15,698
Public Transportation	117,275		117,275
Culture and Recreation	61,955		61,955
Debt Service			
Principal Retirement	58,746		58,746
Interest Retirement	41,877		41,877
Total Expenditures	<u>1,030,125</u>	<u>34,885</u>	<u>1,065,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,651)</u>	<u>(18,870)</u>	<u>(39,521)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	66,209		66,209
Total Other Financing Sources (Uses)	<u>66,209</u>	<u>0</u>	<u>66,209</u>
Net Changes in Fund Balances	<u>45,558</u>	<u>(18,870)</u>	<u>26,688</u>
Fund Balances - Beginning	218,947	18,970	237,917
Fund Balances - Ending	<u>\$264,505</u>	<u>\$100</u>	<u>\$264,605</u>

The accompanying notes are an integral part of this statement.

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

Net Changes in Fund Balances - Total Governmental Funds \$26,688

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.	54,636
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	1,864
Deferred Outflow-Investment Experience. This is the change in these amounts this year.	2,769
Deferred Outflow-Actual Experience vs. Assumption. This is the change in these amounts this year.	1,377
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.	137,917
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,219
(Decrease) increase in net pension receivable.	(5,146)
(Increase) decrease in compensated absences from beginning of period to end of period.	(6,379)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(73)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	0
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	58,746
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$274,618</u>

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive
	Original	Final	Basis	(Negative)
REVENUES				
Taxes				
Property	\$248,129	\$295,413	\$270,579	(\$24,834)
Sales	315,000	315,000	374,316	59,316
Franchise	53,400	59,400	70,095	10,695
Licenses and Permits	30,000	19,000	22,213	3,213
Charges for Services	111,600	153,600	144,776	(8,824)
Fines and Forfeitures	20,950	73,950	68,811	(5,139)
Interest	300	300	135	(165)
Miscellaneous	20,100	33,502	58,549	25,047
Total Revenues	799,479	950,165	1,009,474	59,309
EXPENDITURES				
Current:				
General Administration				
General Administration	124,034	130,134	140,475	(10,341)
Insurance	8,050	8,050	10,628	(2,578)
Operations	13,500	15,100	9,247	5,853
Miscellaneous	26,400	36,376	32,514	3,862
Non Departmental	224,260	191,960	212,118	(20,158)
Public Safety				
Police	275,800	310,750	286,099	24,651
Jail	2,500	2,500	420	2,080
Municipal Court	15,200	26,000	26,364	(364)
Public Facilities				
Building	17,800	17,800	15,698	2,102
Public Transportation				
Streets	100,200	122,000	31,659	90,341
Public Transportation	46,400	60,500	60,496	4
Culture and Recreation				
Library	19,560	26,780	19,555	7,225
Debt Service				
Principal Retirement	16,000	16,000	16,000	0
Interest and Fiscal Charges	41,000	41,000	41,209	(209)
Total Expenditures	930,704	1,004,950	902,482	102,468
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,225)	(54,785)	106,992	161,777
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	66,209	66,209
Total Other Financing Sources (Uses)	0	0	66,209	66,209
Net Changes in Fund Balances - Budgetary Basis	(131,225)	(54,785)	173,201	227,986

Reconciliation from Budgetary Basis to Modified Accrual:

Capital Lease Payment - Principal	(42,746)
Capital Lease Payment - Interest	(668)
Capital Asset Acquisitions	(84,229)
Net Changes in Fund Balances - Modified Accrual Basis	45,558
Fund Balances - Beginning	218,947
Fund Balances - Ending	\$264,505

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

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

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$378,166	\$239,143	\$378,166
Accounts Receivables (Net of Allowance for Uncollectibles)	114,299	95,329	114,299
Net Pension Receivable	306	5,212	306
Total Current Assets	492,771	339,684	492,771
Capital Assets			
Land	30	30	30
Buildings and Improvements	61,562	61,562	61,562
Machinery and Equipment	300,250	302,050	300,250
Infrastructure	0	0	0
Total Capital Assets	361,842	363,642	361,842
Less Accumulated Depreciation	(206,827)	(189,809)	(206,827)
Total Capital Assets (Net of Accumulated Depreciation)	155,015	173,833	155,015
Total Noncurrent Assets	155,015	173,833	155,015
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources-Contributions (after 12/31/14)		9,366	0
Deferred Outflow of Resources-Contributions (after 12/31/15)	11,143		11,143
Deferred Outflow-Investment Experience	3,158	519	3,158
Deferred Outflow-Actual Experience vs. Assumption	985	0	985
Total Deferred Outflow of Resources	15,286	9,885	15,286
TOTAL ASSETS	\$647,786	\$513,517	\$647,786

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$36,957	\$44,823	\$36,957
Accrued Wages	5,572	2,442	5,572
Compensated Absences	2,451	2,396	2,451
Capital Lease Payable - Current	9,016	9,016	9,016
Total Current Liabilities (Payable from Current Assets)	53,996	58,677	53,996
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	1,300	1,300	1,300
Total Current Liabilities Payable from Restricted Assets	1,300	1,300	1,300
Noncurrent Liabilities			
Capital Lease Payable	15,027	24,043	15,027
Total Noncurrent Liabilities	15,027	24,043	15,027
Total Liabilities	70,323	84,020	70,323
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow-Actual Experience vs. Assumption	0	328	0
Total Deferred Inflow of Resources	0	328	0
Invested in Capital Assets, Net of Related Debt	130,972	140,774	130,972
Unrestricted	461,777	298,280	461,777
Total Net Position	\$592,749	\$439,054	\$592,749

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

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

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services (Water)	\$891,737	\$796,804	\$891,737
Charges for Services (Sewer)	17,220	15,501	17,220
Charges for Services (Garbage)	181,868	177,624	181,868
Miscellaneous	70,239	55,486	70,239
Total Operating Revenues	1,161,064	1,045,415	1,161,064
OPERATING EXPENSES:			
Personal Services	252,869	211,707	252,869
Supplies	11,645	9,298	11,645
Other Services and Charges	648,789	594,749	648,789
Depreciation	28,018	26,178	28,018
Total Operating Expenses	941,321	841,932	941,321
Operating Income (Loss)	219,743	203,483	219,743
NON-OPERATING REVENUES (EXPENSES):			
Interest and Fiscal Charges	0	(335)	0
Interest Income	161		161
Total Non-Operating Revenues (Expenses)	161	(335)	161
Income Before Transfers	219,904	203,148	219,904
Transfers In (Out) - Net	(66,209)	(98,915)	(66,209)
Change in Net Position	153,695	104,233	153,695
Total Net Position - Beginning	439,054	334,821	439,054
Total Net Position - Ending	\$592,749	\$439,054	\$592,749

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

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

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$1,142,094	\$1,032,958	\$1,142,094
Payments to Suppliers	(668,300)	(605,941)	(668,300)
Payments to Employees	(250,507)	(215,043)	(250,507)
Net Cash Provided (Used) by Operating Activities	223,287	211,974	223,287
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In (Out)	(66,209)	(98,915)	(66,209)
Federal Grants and Contributions	0	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(66,209)	(98,915)	(66,209)
Cash Flows from Capital and Related Financing Activities			
Interest and Fiscal Charges	0	(335)	0
Purchases of Capital Assets	(9,200)	(54,449)	(9,200)
Principal Payment on Revenue Bonds, Notes and Capital Leases	(9,016)	(22,494)	(9,016)
Net Cash Provided (Used) by Capital and Related Financing Activities	(18,216)	(77,278)	(18,216)
Cash Flows from Investing Activities			
Interest Received	161	0	161
Net Cash Provided (Used) by Investment Activities	161	0	161
Net Increase (Decrease) in Cash Equivalents	139,023	35,781	139,023
Cash and Cash Equivalents at Beginning of Year	239,143	203,362	239,143
Cash and Cash Equivalents at End of Year	\$378,166	\$239,143	\$378,166

(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)	\$219,743	\$203,483	\$219,743
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	28,018	26,178	28,018
Changes in Current Items			
(Increase) Decrease in Accounts Receivable	(18,970)	(13,757)	(18,970)
(Increase) Decrease in Net Pension Receivable	4,906	(151)	4,906
Decrease (Increase) Deferred Outflow of Resources-Contributions	(1,777)	(2,574)	(1,777)
Decrease (Increase) Deferred Outflow-Investment Experience	(2,639)	(519)	(2,639)
Decrease (Increase) Deferred Outflow-Actual Experience vs Assumption	(1,313)	328	(1,313)
Increase (Decrease) in Accounts Payable	(7,866)	(1,894)	(7,866)
Increase (Decrease) in Accrued Wages	3,130	394	3,130
Increase (Decrease) in Compensated Absences	55	(814)	55
Increase (Decrease) in Due to Other Funds	0	0	0
Increase (Decrease) in Consumer Meter Deposits	0	1,300	0
Net Cash Provided (Used) by Operating Activities	<u>\$223,287</u>	<u>\$211,974</u>	<u>\$223,287</u>
Noncash Investing, Capital, and Financing Activities:			
Capital Lease Proceeds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note: The above funds are all Enterprise Funds.

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

CITY OF ELMENDORF, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. Summary of significant accounting policies

A. Reporting entity/ Basis of Accounting/Measurement Focus

The City of Elmendorf, 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 Elmendorf, 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, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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 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 Butterfield PID fund is a Public Improvement District in Butterfield and is used to pay back to the developer for infrastructure expenses from tax assessments on the property; collected by Bexar County tax assessor.

D. Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the non-major funds aggregated.

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

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

The government reports the following major proprietary funds:

The *utility fund* accounts for the activities of the water, sewer, and garbage services.

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The current trade accounts receivable allowance is equal to 1 percent, the trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2016, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2016, and the trade accounts receivable allowance in excess of 90 days and later is equal to 75 percent of outstanding trade accounts receivable at September 30, 2016. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2016, and 10 percent of delinquent outstanding property taxes at September 30, 2016.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2016.

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, 2016.

4. Restricted assets

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

Restricted	
Butterfield Ranch PID No. 1	\$100
Debt Service	100,872
PEG Fund	6,430
Total Fund Balance	<u>\$107,402</u>

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 government had no major capital events during the 2015-2016 year.

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

<i>Assets</i>	<i>Years</i>
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. Fund Balances – Governmental Funds

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

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

Unassigned — all other spendable amounts.

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

Fund Balances:	
Restricted	
Butterfield Ranch PID No. 1	\$100
Debt Service	100,872
PEG Fund	6,430
Unassigned	157,203
Total Fund Balance	<u>\$264,605</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 the 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 25 to 33 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

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

10. Deferred outflows/inflows of resources

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

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

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

11. Net position flow assumption

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

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,234,502 difference are as follows:

Bonds Payable	\$1,213,000
Accrued Interest	6,986
Compensated Absences	14,516
	<u>\$1,234,502</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 \$38,482 difference are as follows:

Property Taxes Receivable	\$41,454
Allowance for Doubtful Accounts	<u>(2,972)</u>
Net	<u>\$38,482</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 \$1,740,677 difference are as follows:

Capital Assets Not Being Depreciated	\$54,388
Capital Assets Being Depreciated	2,055,674
Depreciation Expense	(369,385)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$1,740,677</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 "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 \$250,098 difference are as follows:

Fines and Fees Receivable	\$473,393
Allowance for Doubtful Accounts	(239,328)
Deferred Outflow of Resources-Contributions (after 12/31/15)	11,686
Deferred Outflow-Investment Experience	3,313
Deferred Outflow-Actual Experience vs. Assumption	1,034
Net	<u>\$250,098</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 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 \$54,636 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	133,996
Capital Outlay - Deletions	0
Depreciation Expense	(79,360)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$54,636</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Administrator. 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 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 Administrator 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.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2016.

B. Excess of expenditures over appropriations

Overall, the total actual expenditures of \$902,482 were under the budgeted amount of \$1,004,950 by \$102,468. The major overages were in non-departmental which was over budget by \$20,158 mainly because of Halliburton expense and the general administration department was over budget by \$10,341 mainly because of salaries.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2016.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in compliance with the requirements of the Act.

Policies Governing Deposits and Investments

The City has adopted a deposit and 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 was fully collateralized by pledged securities in the City's depository in the City's name. The total amount of cash in the bank at September 30, 2016 is \$627,393 while the total pledged securities are \$448,350 and the FDIC insurance coverage is \$250,000. Thus the city was fully covered by depository insurance and pledged securities at September 30, 2016. The book amount of cash is \$597,526.

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

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

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

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2016, the City had \$86,495 in investments in an insured TexPool account.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$ 86,495	Less than 1 year	Less than 1 year

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

B. Receivables

Amounts are aggregated into a single account receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and utility funds in the aggregate, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Utility</u>	<u>Total</u>
<u>Receivables</u>			
Taxes	\$41,454		\$41,454
Accounts	19,020	148,744	167,764
Fines	473,393		473,393
Other	4,472		4,472
Gross Receivables	538,339	148,744	687,083
Less: Allowance for Uncollectibles	242,300	34,445	276,745
Net Total Receivables	<u>\$296,039</u>	<u>\$114,299</u>	<u>\$410,338</u>

C. Capital assets

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

Primary Government

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$54,388	\$0	\$0	\$54,388
Construction in Progress	0	0	0	0
Total Capital Assets Not Being Depreciated:	54,388	0	0	54,388

Capital Assets Being Depreciated:				
Building and Improvements	1,568,456	39,200	0	1,607,656
Machinery, Equipment and Vehicles	210,305	94,796	8,300	296,801
Intangible	25,338	0	0	25,338
Infrastructure	125,879	0	0	125,879
Total Capital Assets Being Depreciated:	1,929,978	133,996	8,300	2,055,674

Less: Accumulated Depreciation for:				
Building and Improvements	73,776	32,153	0	105,929
Machinery, Equipment and Vehicles	139,320	44,949	8,300	175,969
Intangible	25,338	0	0	25,338
Infrastructure	59,891	2,258	0	62,149
Total Accumulated Depreciation	298,325	79,360	8,300	369,385
Total Capital Assets Depreciated, Net	1,631,653	54,636	0	1,686,289
Governmental Activities Capital Assets, Net	\$1,686,041	\$54,636	\$0	\$1,740,677

Business-Type Activities	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$30	\$0	\$0	\$30
Construction in Progress	0	0	0	0
Total Capital Assets Not Being Depreciated:	30	0	0	30

Capital Assets Being Depreciated:				
Building and Improvements	61,562	0	0	61,562
Machinery, Equipment and Vehicles	302,050	9,200	11,000	300,250
Total Capital Assets Being Depreciated:	363,612	9,200	11,000	361,812

Less: Accumulated Depreciation for:				
Building and Improvements	22,551	1,232	0	23,783
Machinery, Equipment and Vehicles	167,258	26,786	11,000	183,044
Total Accumulated Depreciation	189,809	28,018	11,000	206,827
Total Capital Assets Depreciated, Net	173,803	(18,818)	0	154,985
Business-Type Activities Capital Assets, Net	\$173,833	(\$18,818)	\$0	\$155,015

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

Governmental Activities	
Public Safety	\$10,342
Public Facilities	30,303
Public Transportation	31,805
Culture and Recreation	6,910
Total Depreciation Expense - Governmental Activities	<u>\$79,360</u>
Business-Type Activities	
Utility	<u>\$28,018</u>
Total Depreciation Expense - Business-Type Activities	<u>\$28,018</u>

Construction commitments

The government had no major capital events during the 2015-2016 year.

D. Interfund receivables, payables, and transfers

There are no due to or from at September 30, 2016.

The intrafund and interfund fund transfers for the year ended September 30, 2016 are as follows:

<u>PRIMARY GOVERNMENT</u>		
<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>REASON</u>
<u>GENERAL FUND</u>		
TRANSFER FROM UTILITY FUND	\$66,209	GENERAL OPERATIONS - RECURRING
	<u>\$66,209</u>	

E. Leases

Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$480 for the year ended September 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2017	\$ 480
2018	480
2019	240
2020	0
Total	<u>\$1,200</u>

Rent expenditures were \$0 for the year ended September 30, 2016. Sublease rental income was \$0 for the year ended September 30, 2016.

F. Long-term debt

The City sold \$1,272,000 Combination Tax and Limited Pledge Revenue Certificates of Obligations Revenue Bonds in 2012 to USDA Rural Development. The proceeds were to be used for the Elmendorf Municipal Building Project. The projected payout of these bonds will be through the year 2051 at an interest rate of 3.375%.

Purpose	Original Amount	Series	Rate	Current Amount
Governmental activities	\$1,272,000	2012	3.375	\$1,213,000

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$16,000	\$42,188
2018	17,000	41,631
2019	18,000	41,040
2020	18,000	40,433
2021	19,000	39,808
2022-2026	107,000	188,646
2027-2031	130,000	168,750
2032-2036	160,000	144,416
2037-2041	196,000	114,413
2042-2046	240,000	77,794
2047-2051	292,000	32,248
TOTALS	<u>\$1,213,000</u>	<u>\$931,365</u>

The above obligation is secured by both ad valorem taxes and utility revenues.

Capital Leases

The Capital Leases consists of the following: The City also entered into a capital lease to purchase various equipment in 2014. The equipment includes a John Deere tractor and cutter in the Business-Type Activities.

The debt will be serviced by the utility fund.

The accumulated depreciation of the above equipment is as follows:

Asset	Business-Type Activities		Total
	JD Tractor and Loader	Rotary Cutter	
Cost	\$47,390	\$12,500	\$59,890
Accumulated Depreciation	(28,434)	(7,500)	(35,934)
Net Asset	<u>\$18,956</u>	<u>\$5,000</u>	<u>\$23,956</u>

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

Year	Business-Type Activities	
	JD Tractor, Loader, and Cutter	Total
	Amount	
2017	\$9,016	\$9,016
2018	9,016	9,016
2019	6,010	6,010
Total Minimum Lease Payments	<u>24,042</u>	<u>24,042</u>
Less: Amount Representing Interest	<u>0</u>	<u>0</u>
Present Value of Net Minimum Lease Payments	<u>\$24,042</u>	<u>\$24,042</u>

The utility fund is to service the capital lease. The security pledged for the capital lease is the actual equipment financed.

Changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,229,000	\$0	\$16,000	\$1,213,000	\$16,000	\$1,197,000
Capital Lease	42,746		42,746	0	0	0
Compensated Absences	8,137	14,516	8,137	14,516	14,516	0
	<u>1,279,883</u>	<u>14,516</u>	<u>66,883</u>	<u>1,227,516</u>	<u>30,516</u>	<u>1,197,000</u>
<u>Business-Type activities:</u>						
Capital Lease	33,059		9,016	24,043	9,016	15,027
Compensated Absences	2,396	2,451	2,396	2,451	2,451	0
	<u>35,455</u>	<u>2,451</u>	<u>11,412</u>	<u>26,494</u>	<u>11,467</u>	<u>15,027</u>
Grand Total	<u>\$1,315,338</u>	<u>\$16,967</u>	<u>\$78,295</u>	<u>\$1,254,010</u>	<u>\$41,983</u>	<u>\$1,212,027</u>

Interest expense of \$41,950 on long-term debt has been shown separately on the government-wide statement of activities. There was no interest expense capitalized into the capital assets. The government-wide statement of activities includes \$41,983 as "noncurrent liabilities, due within one year".

The current amount of compensated absences at September 30, 2016 is \$16,967.

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 the balances of claims liabilities during the past two years are as follows:

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

General Liability Insurance

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

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

Property and Casualty Insurance

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

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

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

Unemployment Compensation Insurance

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

B. Related party transaction

There were no related party transactions during the year.

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 is not a defendant in any lawsuit at September 30, 2016.

D. Subsequent events

There were no subsequent events requiring disclosure.

EXECUTIVE SUMMARY

as of December 31, 2015

Actuarial Valuation and Measurement Date, December 31,	2014	2015
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits		
- Inactive employees entitled to but not yet receiving benefits	10	9
- Active employees	<u>8</u>	<u>11</u>
- Total	18	20
 Covered Payroll	 \$ 328,689	 \$ 410,391
Net Pension Liability		
Total Pension Liability	\$ 107,367	\$ 128,366
Plan Fiduciary Net Position	<u>118,046</u>	<u>128,993</u>
Net Pension Liability	\$(10,679)	\$ (627)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 109.95%	 100.49%
 Net Pension Liability as a Percentage of Covered Payroll	 (3.25%)	 (0.15%)
Development of the Single Discount Rate		
Single Discount Rate	7.00%	6.75%
Long-Term Expected Rate of Return	7.00%	6.75%
Long-Term Municipal Bond Rate*	3.65%	3.57%
 Last year ending December 31 in the 100 year projection period for which projected benefit payments are fully funded	 N/A	 N/A

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

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$	24,664
2. Interest on the Total Pension Liability		7,883
3. Current Period Benefit Changes		0
4. Employee Contributions (Reduction of Expense)		(20,520)
5. Projected Earnings on Plan Investments (Reduction of Expense)		(8,263)
6. Administrative Expense		106
7. Other Changes in Fiduciary Net Position		5
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		614
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets		1,618
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities		(210)
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets		266
12. Total Pension Expense	\$	6,163

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2015 Recognized in current	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.2900	\$ (2,782)	\$ (648)	\$ (2,134)
Difference in assumption changes [actuarial (gains) or losses]	4.2900	\$ 5,415	\$ 1,262	\$ 4,153
			<u>\$ 614</u>	<u>\$ 2,019</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 8,089	\$ 1,618	\$ 6,471
			<u>\$ 1,618</u>	<u>\$ 6,471</u>
<u>Total:</u>				<u>\$ 8,490</u>

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

	Net deferred outflows (inflows) of resources
2016	\$ 2,288
2017	2,288
2018	2,456
2019	1,794
2020	0
Thereafter	<u>0</u>
Total	\$ 8,826

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 employee payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$24,019	\$(627)	\$(19,903)

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

I. Economic Assumptions

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

B. Discount/Crediting Rates

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

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

D. Individual Salary Increases -

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

Years of Service	Rate (%)
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 Elmendorf annual annuity increases of 0.00% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Elmendorf the base table is then multiplied by a factor of 85.0% 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 Elmendorf the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other- 115%. A sample of the base rates follows:

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

Termination rates end at first eligibility for retirement

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

Age	Percent of Terminating Employees Choosing 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 93.0%. 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.

III. Methods and Assumptions

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

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

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

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

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

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

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

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

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

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

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

IV. Other Assumptions

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

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

17. The decrement rates for service related decrements are based on total TMRS eligibility service.

V. Participant Data

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

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

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

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

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

Amortization Schedule
Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year						
			2015	2016	2017	2018	2019	2020	Thereafter
Due to Liabilities:									
2014 difference in experience (inflows) /outflows	3.1932	\$ (671)	\$ (210)	\$ (210)	\$ (210)	\$ (41)	\$ 0	\$ 0	0
2015 difference in experience (inflows) /outflows	4.2900	(2,782)	(648)	(648)	(648)	(648)	(190)	0	0
		Total	\$ (858)	\$ (858)	\$ (858)	\$ (689)	\$ (120)	\$ 0	0
2015 difference in assumptions (inflows) /outflows	4.2900	5,415	1,262	1,262	1,262	1,262	367	0	0
		Total	\$ 1,262	\$ 1,262	\$ 1,262	\$ 1,262	\$ 367	\$ 0	0
Due to Assets:									
2014 excess investment returns (inflows) /outflows	4.0000	\$ 1,063	\$ 266	\$ 266	\$ 266	\$ 265	\$ 0	\$ 0	0
2015 excess investment returns (inflows) /outflows	5.0000	8,089	1,618	1,618	1,618	1,618	1,617	0	0
		Total	\$ 1,884	\$ 1,884	\$ 1,884	\$ 1,883	\$ 1,617	\$ 0	0

REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2015	2014
1. Service Cost	\$24,664	\$17,775
2. Interest (on the Total Pension Liability)	7,883	6,830
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	(2,782)	(881)
5. Changes of assumptions	5,415	0
6. Benefit payments, including refunds of employee contributions	(14,181)	(10,090)
7. Net change in total pension liability	20,999	13,634
8. Total pension liability -- beginning	107,367	93,733
9. Total pension liability - ending	128,366	107,367

B. Plan fiduciary net position

1. Contributions - employer	4,545	1,709
2. Contributions - employee	20,520	16,434
3. Net investment income	174	5,958
4. Benefit payments, including refunds of employee contributions	(14,181)	(10,090)
5. Administrative Expense	(106)	(62)
6. Other	(5)	(5)
7. Net change in plan fiduciary net position	10,947	13,944
8. Plan fiduciary net position - beginning	118,046	104,102
9. Plan fiduciary net position - ending*	128,993	118,046

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

(627)	(\$10,679)
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D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)

100.49%	109.95%
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E. Covered-employee payroll (B.9 / A.9)

\$410,391	\$328,689
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F. Net pension liability as a percentage
of covered employee payroll (C/E)

-0.15%	-3.25%
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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	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered employee payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered employee payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes

There were no benefit changes during the year.