

**CITY OF FRITCH, TEXAS**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

# CITY OF FRITCH, TEXAS

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Fritch  
PO Box 758  
Fritch, Texas 79036

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fritch, Texas, (the City) as of and for the year ended September 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fritch, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the City of Fritch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fritch's internal control over financial reporting and compliance.



Foster & Lambert, LLC  
February 20, 2018



# CITY OF FRITCH, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2017

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter; public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

### **Discretely Presented Unit**

Fritch Economic Development Corporation - The activities of the Fritch Economic Development Corporation are included in the City's accompanying financial statements as a component unit. This Corporation is a separate nonprofit governmental unit administered by a five-member board and the City of Fritch serves as fiscal agent for the corporation. The City exercises significant oversight in approving budgets, corporate records, and accounting records of the Corporation.

### **Overview of the Financial Statement**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, and culture and recreation. Business-type activities include water utilities, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

**Governmental funds-**Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**Proprietary funds-**The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Other Information**

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

### **Financial Analysis**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Fritch, Texas, assets exceeded liabilities by \$2,786,659 at the close of this fiscal year.

### Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 545,762	\$ 745,028	\$ 871,558	\$ 1,486,664	\$ 1,417,320	\$ 2,231,692
Capital assets	<u>528,593</u>	<u>547,442</u>	<u>5,464,446</u>	<u>5,388,444</u>	<u>5,993,039</u>	<u>5,935,886</u>
Total assets	<u>1,074,355</u>	<u>1,292,470</u>	<u>6,336,004</u>	<u>6,875,108</u>	<u>7,410,359</u>	<u>8,167,578</u>
Deferred outflows	<u>75,042</u>	<u>54,433</u>	<u>65,488</u>	<u>51,035</u>	<u>140,530</u>	<u>105,468</u>
Long-term liabilities	63,067	38,993	5,187,270	5,019,940	5,250,337	5,058,933
Other liabilities	<u>77,083</u>	<u>163,386</u>	<u>191,045</u>	<u>259,261</u>	<u>268,128</u>	<u>422,647</u>
	<u>140,150</u>	<u>202,379</u>	<u>5,378,315</u>	<u>5,279,201</u>	<u>5,518,465</u>	<u>5,481,580</u>
Deferred inflows	<u>-</u>	<u>2,481</u>	<u>-</u>	<u>2,326</u>	<u>-</u>	<u>4,807</u>
Net Position:						
Invested in capital assets	470,891	511,210	291,867	378,701	762,758	889,911
Restricted	88,563	131,318	-	-	88,563	131,318
Unrestricted	<u>449,793</u>	<u>499,515</u>	<u>731,310</u>	<u>1,265,915</u>	<u>1,181,103</u>	<u>1,765,430</u>
Total net position	<u>\$ 1,009,247</u>	<u>\$ 1,142,043</u>	<u>\$ 1,023,177</u>	<u>\$ 1,644,616</u>	<u>\$ 2,032,424</u>	<u>\$ 2,786,659</u>

Analysis of the City's Operations – Governmental and Business-type activities increased the City's net position by \$754,235. The key elements of this increase are as follows:

### Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program revenues:						
Charges for services	\$ 259,305	\$ 176,769	\$2,249,657	\$2,199,626	\$ 2,508,962	\$ 2,376,395
Operating grants and Contributions	14,035	15,886	-	-	14,035	15,886
Capital grants and contributions	269,236	84,372	143,660	128,904	412,896	213,276
General revenues:						
Property taxes	491,873	501,319	-	-	491,873	501,319
Sales taxes	295,417	308,855	-	-	295,417	308,855
Franchise taxes	126,233	135,645	-	-	126,233	135,645
Investment income	31	-	23	54	54	54
Gain or loss	4,500	4,466	-	-	4,500	4,466
Other	36,852	1,955	1,571	2,437	38,423	4,392
Total revenues	<u>1,497,482</u>	<u>1,229,267</u>	<u>2,394,911</u>	<u>2,331,021</u>	<u>3,892,393</u>	<u>3,560,288</u>
Expenses:						
General government	552,040	448,323	-	-	552,040	448,323
Street	77,887	66,134	-	-	77,887	66,134
Public safety:						
Police	475,911	388,619	-	-	475,911	388,619
Fire	114,425	103,411	-	-	114,425	103,411
Park	4,668	4,568	-	-	4,668	4,568
Code enforcement	34	1,844	-	-	34	1,844
Animal control	49,691	53,219	-	-	49,691	53,219
City judge	73,333	59,871	-	-	73,333	59,871
Museum	24,923	34,863	-	-	24,923	34,863
Water	-	-	1,560,077	1,344,735	1,560,077	1,344,735
Trash	-	-	306,143	300,466	306,143	300,466
Total expenses	<u>1,372,912</u>	<u>1,160,852</u>	<u>1,866,220</u>	<u>1,645,201</u>	<u>3,239,132</u>	<u>2,806,053</u>
Increase (decrease) in net assets before transfers	124,570	68,415	528,691	685,820	653,261	754,235
Transfers	(85,506)	64,381	85,506	(64,381)	-	-
Increase (decrease) in net assets	39,064	132,749	614,197	621,439	653,261	754,235
Net position – beginning	975,765	1,009,247	412,237	1,023,177	1,388,002	2,032,424
Prior period adjustment	(5,582)	-	(3,257)	-	(8,839)	-
Net position – ending	<u>\$ 1,009,247</u>	<u>\$ 1,142,043</u>	<u>\$ 1,023,177</u>	<u>\$ 1,644,616</u>	<u>\$ 2,032,424</u>	<u>\$ 2,786,659</u>

### Financial Analysis of the Government's Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$263,643. Of this amount, \$116,900 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds shows an increase of \$110,360 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the City's governmental activities.

## General Fund Budgetary Highlights

The general fund budget for fiscal year 2017 was approximately \$1,222,152.

The general fund budget complied with financial policies approved by the City Council and maintained core City services.

## Capital Assets and Debt Administration

### Capital Assets

The City's investment in capital assets for its government-wide activities as of September 30, 2017, amounts to \$5,935,886 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

### Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2016
Land	\$ 138,222	\$ 138,222	\$ 16,636	\$ 16,636	\$ 154,858	\$ 154,858
Buildings and improvements	177,043	211,888	-	-	177,043	211,888
Vehicles	163,074	137,605	9,463	48,434	172,537	186,039
Infrastructure	12,194	9,864	5,413,987	5,317,035	5,426,181	5,326,899
Equipment	<u>38,060</u>	<u>49,863</u>	<u>24,360</u>	<u>6,339</u>	<u>62,420</u>	<u>56,202</u>
Totals	<u>\$ 528,593</u>	<u>\$ 547,442</u>	<u>\$ 5,464,446</u>	<u>\$ 5,388,444</u>	<u>\$ 5,993,039</u>	<u>\$ 5,935,886</u>

This year's major additions included:

Governmental activities:	
City hall, mueum and police roof	53,532
Compressor	29,366
2015 Ford Explorer	22,302
Business-type activities:	
Well pumps	72,323
Water system improvements	128,904
2012 Chevy Silverado	13,989
2015 GMC Sierra`	18,397

### Debt

At year-end, the City had \$5,045,975 of certificates of obligation and notes payables, as shown below:

### Outstanding Debt, at Year-end

	Governmental Activities 2016	Governmental Activities 2017	Business- type Activities 2016	Business- type Activities 2017	Total 2016	Total 2017
	Certificates of obligation	\$ -	\$ -	\$5,172,579	\$5,009,743	\$5,172,579
Notes payable	\$ 57,702	\$ 36,232	\$ -	\$ -	\$ 57,702	\$ 36,232

### **Economic Factors for Next Year**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017-2018 budget, and tax rates. The major source of City funds is state tax revenue, local property taxes, and franchise taxes. Our taxable value, for 2018, is \$70,704,890. Our tax rate is as follows:

M&O	\$ .699213
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This compares with the tax rate of .712625 in the current year. The City has not added any major new programs or initiatives to the 2017-2018 budget and it is expected to be about the same as last year with the items noted above.

### **Request for Information**

This financial report is designed to provide a general overview of the City's 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 City Administrator, City of Fritch, Texas, PO Box 758, Fritch, Texas 79036.

# CITY OF FRITCH, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Fritch Economic Development Corporation
<b>Assets</b>				
Cash and cash equivalents	\$ 119,088	\$ 881,458	\$ 1,000,546	\$ 99,988
Receivables (net of allowances for uncollectibles)	242,976	236,087	479,063	10,727
Restricted assets:				
Cash and cash equivalents	106,827	110,217	217,044	-
Net pension asset	276,137	258,902	535,039	
Capital assets (net of accumulated depreciation):				
Land	138,222	16,636	154,858	-
Buildings and improvements	211,888	-	211,888	-
Equipment	49,863	6,339	56,202	-
Infrastructure	9,864	5,317,035	5,326,899	
Vehicles	137,605	48,434	186,039	-
Total assets	<u>1,292,470</u>	<u>6,875,108</u>	<u>8,167,578</u>	<u>110,715</u>
<b>Deferred Outflows of Resources</b>				
Pension expenditures	<u>54,433</u>	<u>51,035</u>	<u>105,468</u>	-
<b>Liabilities</b>				
Accounts payable and other current liabilities	162,149	104,582	266,731	
Accrued interest payable	1,237	44,462	45,699	-
Compensated absences -current	276	1,020	1,296	-
Customer deposits-payable from restricted assets	-	110,217	110,217	-
Notes payable - current	13,643	-	13,643	-
Certificate of obligation payable-current	-	173,000	173,000	-
Long-term liabilities				
Compensated absences	2,485	9,177	11,662	-
Notes payable	22,589	-	22,589	-
Certificate of obligation payable	-	4,836,743	4,836,743	-
Total liabilities	<u>202,379</u>	<u>5,279,201</u>	<u>5,481,580</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Pension expenditures	<u>2,481</u>	<u>2,326</u>	<u>4,807</u>	-
<b>Net Position</b>				
Net investment in capital assets	511,210	378,701	889,911	-
Restricted for:				
Civic development projects	-	-	-	110,715
Capital Projects	25	-	25	-
Debt service	61,735	-	61,735	-
Crime control	69,558	-	69,558	-
Unrestricted	499,515	1,265,915	1,765,430	-
Total net position	<u>\$ 1,142,043</u>	<u>\$ 1,644,616</u>	<u>\$ 2,786,659</u>	<u>\$ 110,715</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF FRITCH, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 448,323	\$ -	\$ -	\$ 84,372
Street	66,134	-	-	-
Public safety:				
Police	384,497	9,203	8,017	-
Fire	103,411	48,292	5,705	-
Park	4,568	-	-	-
Code enforcement	1,844	-	20	-
Animal control	53,219	200	-	-
City judge	59,871	117,009	-	-
Museum	34,863	2,065	2,144	-
Interest on long-term debt	4,122	-	-	-
Total governmental activities	<u>1,160,852</u>	<u>176,769</u>	<u>15,886</u>	<u>84,372</u>
Business-type activities:				
Water and sewer	1,344,735	1,844,912	-	128,904
Trash	300,466	354,714	-	-
Total business-type activities	<u>1,645,201</u>	<u>2,199,626</u>	<u>-</u>	<u>128,904</u>
Total primary government	<u>\$ 2,806,053</u>	<u>\$ 2,376,395</u>	<u>\$ 15,886</u>	<u>\$ 213,276</u>
<b>Component Unit</b>				
Economic Development	<u>\$ 47,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
 Property taxes  
 Sales taxes  
 Franchise taxes  
 Miscellaneous revenues  
 Gain or loss on sale of assets  
 Unrestricted investment earnings  
 Transfers  
 Total general revenues and transfers  
 Change in net position  
 Net position - October 1  
 Net position - September 30

*The accompanying notes are an integral part of this statement.*



Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development
\$ (363,951)	\$ -	\$ (363,951)	\$ -
(66,134)	-	(66,134)	-
(367,277)	-	(367,277)	-
(49,414)	-	(49,414)	-
(4,568)	-	(4,568)	-
(1,824)	-	(1,824)	-
(53,019)	-	(53,019)	-
57,138	-	57,138	-
(30,654)	-	(30,654)	-
(4,122)	-	(4,122)	-
<u>(883,825)</u>	<u>-</u>	<u>(883,825)</u>	<u>-</u>
-	629,081	629,081	-
-	54,248	54,248	-
-	683,329	683,329	-
<u>(883,825)</u>	<u>683,329</u>	<u>(200,496)</u>	<u>-</u>
-	-	-	(47,641)
501,319	-	501,319	-
308,855	-	308,855	44,580
135,645	-	135,645	-
1,955	2,437	4,392	5,644
4,466	-	4,466	-
-	54	54	106
64,381	(64,381)	-	-
<u>1,016,621</u>	<u>(61,890)</u>	<u>954,731</u>	<u>50,330</u>
132,796	621,439	754,235	2,689
1,009,247	1,023,177	2,032,424	108,026
<u>\$ 1,142,043</u>	<u>\$ 1,644,616</u>	<u>\$ 2,786,659</u>	<u>\$ 110,715</u>

*The accompanying notes are an integral part of this statement.*

# CITY OF FRITCH, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2017

WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

	General Fund	Capital Projects	I&S	Crime Control and Prevention
<b>ASSETS</b>				
Cash and cash equivalents	\$ 100,250	\$ -	\$ -	\$ -
Receivables (net of allowances for uncollectibles)	98,331	44,530	18,047	39,065
Restricted assets:				
Cash and cash equivalents	-	75,649	43,687	58,642
 Total assets	<u>\$ 198,581</u>	<u>\$ 120,179</u>	<u>\$ 61,734</u>	<u>\$ 97,707</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and other current liabilities	65,913	120,154	-	-
Deferred Inflows of Resources:				
Unavailable revenue-property taxes	18,954	-	17,195	-
Fund balances:				
Reserved for:				
Crime control	-	-		97,707
Police training				
Capital projects		25		
Interest and Sinking			44,539	-
Unassigned	113,714	-	-	-
Total fund balances	<u>113,714</u>	<u>25</u>	<u>44,539</u>	<u>97,707</u>
 Total liabilities and fund balances	<u>\$ 198,581</u>	<u>\$ 120,179</u>	<u>\$ 61,734</u>	<u>\$ 97,707</u>

*The accompanying notes are an integral part of this statement.*

Nonmajor Governmental Funds	Total Government Funds	Total Government Funds 2016
\$ 23,310	\$ 123,560	\$ 64,563
-	199,973	168,316
-	177,978	65,946
<u>\$ 23,310</u>	<u>\$ 501,511</u>	<u>\$ 298,825</u>
<u>15,652</u>	<u>201,719</u>	<u>115,020</u>
<u>-</u>	<u>36,149</u>	<u>30,522</u>
-	97,707	72,751
4,472	4,472	-
	25	
-	44,539	33,918
<u>3,186</u>	<u>116,900</u>	<u>46,614</u>
<u>7,658</u>	<u>263,643</u>	<u>153,283</u>
<u>\$ 23,310</u>	<u>\$ 501,511</u>	<u>\$ 298,825</u>

*The accompanying notes are an integral part of this statement.*

# CITY OF FRITCH, TEXAS

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 263,643
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,756,673 and the accumulated depreciation was \$2,228,080. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	470,842
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(86,351)
Included in the items related to assets is the recognition of the City's proportionate share of the net pension asset required by GASB 68 in the amount of \$276,137, a deferred resource outflow related to TMRS in the amount of \$54,433, and deferred resource inflow of \$2,481. The net effect of this is to increase net assets.	328,089
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase (decrease) net position.	129,670
Property tax and fines receivables are not available for current period expenditures and therefore are deferred in the funds.	36,150
<b>Net Position of Governmental Activities</b>	<u>\$ 1,142,043</u>

*The accompanying notes are an integral part of this statement.*

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# CITY OF FRITCH, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

	General Fund	Capital Projects	I&S	Crime Control and Prevention	Nonmajor Governmental Funds
<b>Revenues</b>					
Taxes:					
Property	\$ 263,793	\$ -	\$ 231,899	\$ -	\$ -
Sales	267,482	-	-	41,373	-
Franchise	135,645	-	-	-	-
Fire and ambulance service fees	48,292	-	-	-	-
Fines and forfeits	117,009	-	-	-	-
Intergovernmental revenues	2,744	84,374	-	-	-
Other income	29,146	-	-	-	1,883
Total revenues	864,111	84,374	231,899	41,373	1,883
<b>Expenditures</b>					
Current:					
General government	296,365	128,904	800	-	-
Street	60,950	-	-	-	-
Public safety:					
Police	335,928	-	-	16,417	-
Fire	72,903	-	-	-	-
Judge	58,496	-	-	-	-
Park	-	-	-	-	-
Museum	34,088	-	-	-	-
Animal control	51,655	-	-	-	-
Code enforcement	1,844	-	-	-	-
Capital outlay	105,200	-	-	-	-
Debt service					
Principal	15,179	-	165,000	-	-
Interest	3,681	-	277,368	-	-
Total expenditures	1,036,289	128,904	443,168	16,417	-
Excess of revenues over (under) expenditures	(172,178)	(44,530)	(211,269)	24,956	1,883
<b>Other financing sources (uses)</b>					
Operating transfers (net)	249,025	44,555	221,890	-	(3,972)
Net change in fund balance	76,847	25	10,621	24,956	(2,089)
Fund balance - October 1	36,867	-	33,918	72,751	9,747
Prior period adjustment	-	-	-	-	-
Fund balance - September 30	\$ 113,714	\$ 25	\$ 44,539	\$ 97,707	\$ 7,658

*The accompanying notes are an integral part of this statement.*

<u>Total Government Funds</u>	<u>Total Funds 2016</u>
\$ 495,692	\$ 490,384
308,855	295,417
135,645	126,233
48,292	65,180
117,009	186,800
87,118	265,410
31,029	57,091
<u>1,223,640</u>	<u>1,486,515</u>
426,069	530,346
60,950	74,737
352,345	445,400
72,903	87,762
58,496	71,310
-	-
34,088	24,923
51,655	49,838
1,844	34
105,200	45,989
180,179	277,241
281,049	391,661
<u>1,624,778</u>	<u>1,999,241</u>
<u>(401,138)</u>	<u>(512,726)</u>
<u>511,498</u>	<u>616,370</u>
110,360	103,644
153,283	55,221
-	(5,582)
<u>\$ 263,643</u>	<u>\$ 153,283</u>

*The accompanying notes are an integral part of this statement.*

## CITY OF FRITCH

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 110,360
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(86,351)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase (decrease) net position.	129,670
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource inflows. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date had to be amortized. The net effect is to decrease net position.	(26,510)
Because property tax receivables will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues increased by this amount.	5,627
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 132,796</u></u>

*The accompanying notes are an integral part of this statement.*



# CITY OF FRITCH, TEXAS

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property	\$ 265,639	\$ 265,639	\$ 263,793	\$ (1,846)
Sales	235,000	235,000	267,482	32,482
Franchise	214,000	214,000	135,645	(78,355)
Fire and ambulance service fees	55,000	55,000	48,292	(6,708)
Fines and forfeits	157,000	157,000	117,009	(39,991)
Intergovernmental revenues	-	-	2,744	2,744
Other income	3,705	16,884	29,146	12,262
<b>Total revenues</b>	<b>930,344</b>	<b>943,523</b>	<b>864,111</b>	<b>(79,412)</b>
<b>Expenditures</b>				
Current:				
General government	339,064	339,064	296,365	42,699
Street	83,400	83,400	60,950	22,450
Public safety:				
Police	379,835	390,770	335,928	54,842
Fire	97,465	97,465	72,903	24,562
Judge	119,577	119,577	58,496	61,081
Museum	33,704	33,704	34,088	(384)
Animal control	56,975	56,975	51,655	5,320
Code enforcement	3,600	3,600	1,844	1,756
Capital outlay	88,532	88,532	105,200	(16,668)
Debt service				
Principal	16,000	16,000	15,179	821
Interest	4,000	4,000	3,681	319
<b>Total expenditures</b>	<b>1,222,152</b>	<b>1,233,087</b>	<b>1,036,289</b>	<b>196,798</b>
Excess of revenues over expenditures	(291,808)	(289,564)	(172,178)	117,386
<b>Other financing sources (uses)</b>				
Operating transfers (net)	291,808	291,808	249,025	(42,783)
Net change in fund balance	-	2,244	76,847	74,603
Fund balance - October 1	36,867	36,867	36,867	-
Fund balance - September 30	\$ 36,867	\$ 39,111	\$ 113,714	\$ 74,603

*The accompanying notes are an integral part of this statement.*

**CITY OF FRITCH, TEXAS**  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2017

WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

	Water and Sewer Fund <u>2017</u>	Water and Sewer Fund <u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 881,458	\$ 273,967
Accounts receivable (net of allowance for uncollectible)	236,087	248,938
Total current assets	<u>1,117,545</u>	<u>522,905</u>
Noncurrent assets:		
Restricted assets:		
Cash and temporary investments	110,217	104,687
Net pension asset	258,902	243,966
Total restricted assets	<u>369,119</u>	<u>348,653</u>
Capital assets:		
Land	16,636	16,636
Buildings and improvements	43,455	43,455
Equipment	158,847	158,847
Vehicles	117,097	84,711
Plants and systems	10,025,112	9,823,885
Less accumulated depreciation and amortization	<u>(4,972,703)</u>	<u>(4,663,088)</u>
Total capital assets (net of accumulated depreciation)	<u>5,388,444</u>	<u>5,464,446</u>
Total noncurrent assets	<u>5,757,563</u>	<u>5,813,099</u>
Total assets	<u>6,875,108</u>	<u>6,336,004</u>
<b>Deferred Outflows of Resources</b>		
Pension expenditures	<u>51,035</u>	<u>65,488</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and other current liabilities	104,582	41,062
Accrued interest payable	44,462	45,296
Compensated absences-current	1,020	1,469
Certificates of obligation-current	173,000	165,000
Total current liabilities	<u>323,064</u>	<u>252,827</u>
Current liabilities payable from restricted assets:		
Customer deposits-payable from restricted assets	<u>110,217</u>	<u>104,687</u>
Noncurrent liabilities:		
Compensated absences	9,177	13,222
Certificates of obligation	4,836,743	5,007,579
Total noncurrent liabilities	<u>4,845,920</u>	<u>5,020,801</u>
Total liabilities	<u>5,279,201</u>	<u>5,378,315</u>
<b>Deferred Inflows of Resources</b>		
Pension expenditures	<u>2,326</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	378,701	291,867
Restricted	-	-
Unrestricted	1,265,915	731,310
Total net position	<u>\$ 1,644,616</u>	<u>\$ 1,023,177</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF FRITCH, TEXAS**  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

	Water and Sewer Fund 2017	Water and Sewer Fund 2016
<b>Operating revenues:</b>		
Charges for sales and services:		
Water and sewer	\$ 1,844,912	\$ 1,884,880
Trash	354,714	364,777
Miscellaneous	2,437	1,594
Total operating revenues	2,202,063	2,251,251
<b>Operating expenses:</b>		
Payroll costs	452,042	436,848
General supplies	14,574	23,095
Maintenance and repairs	66,759	69,895
Professional and technical services	10,568	105,295
Rental and lease agreements	41,924	43,524
Other contractual services	318,507	335,773
Utilities and facility	77,913	76,107
Departmental operating costs	71,226	35,785
Warehouse	3,375	4,283
Depreciation and amortization	309,615	306,631
Total operating expenses	1,366,503	1,437,236
Operating income	835,560	814,015
<b>Non-operating revenues (expenses):</b>		
Interest expense	(278,698)	(428,984)
Interest income	54	-
Capital Contributions	128,904	143,660
Total non-operating revenues (expenses)	(149,740)	(285,324)
Income before contributions and transfers	685,820	528,691
<b>Contributions and operating transfers:</b>		
Operating transfers (net)	(64,381)	85,506
Net contributions and operating transfers	(64,381)	85,506
Change in net position	621,439	614,197
Total net position - October 1	1,023,177	412,237
Prior period adjustment	-	(3,257)
Total net position - September 30	\$ 1,644,616	\$ 1,023,177

*The accompanying notes are an integral part of this statement.*

**CITY OF FRITCH, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

	Water and Sewer Fund 2017	Water and Sewer Fund 2016
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 2,214,914	\$ 2,193,841
Payments to suppliers	(543,862)	(694,772)
Payments to employees	(452,157)	(489,225)
Net cash provided by operating activities	1,218,895	1,009,844
<b>Cash flows provided by noncapital financing activities</b>		
Operating transfers	(64,381)	85,506
<b>Cash flows from capital and related financing activities</b>		
Purchase of equipment	(104,709)	(19,178)
Principal paid on long-term debt	(162,836)	(381,857)
Interest paid on debt	(279,532)	(426,563)
Net cash (used) by capital and related financing activities	(547,077)	(827,598)
<b>Cash flows from investing activities</b>		
Customer deposits	5,530	4,540
Interest on investments	54	-
Net cash provided by investing activities	5,584	4,540
Net increase in cash and cash equivalents	613,021	272,292
Cash and cash equivalents at beginning of year	378,654	106,362
Cash and cash equivalents at end of year	\$ 991,675	\$ 378,654

*The accompanying notes are an integral part of this statement.*

**CITY OF FRITCH, TEXAS**  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016

	Water and Sewer Fund 2017	Water and Sewer Fund 2016
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 835,560	\$ 814,015
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	309,615	306,631
(Increase) decrease in current assets:		
Accounts receivable	12,851	(57,410)
Net pension asset	(14,936)	10,493
Deferred outflows	14,453	(52,040)
Increase (decrease) in current liabilities:		
Accounts payable	60,984	(1,015)
Compensated absences	(4,494)	4,378
Wages payable	2,536	1,169
Deferred inflows	2,326	(13,120)
Net cash provided by operating activities	\$ 1,218,895	\$ 1,013,101
 <b>Noncash investing, capital, and financing activities:</b>		
Amortization of original issue discount as interest expense	\$ 2,163	\$ 2,163
 <b>Reconciliation of cash and equivalents to the balance sheets:</b>		
Cash and cash equivalents	\$ 881,458	\$ 273,967
Restricted cash	110,217	104,687
	\$ 991,675	\$ 378,654

*The accompanying notes are an integral part of this statement.*

**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies

The financial statements of the City of Fritch, Texas, (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Fritch (primary government) and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Each of the City's component units has a September 30th year-end.

Blended Component Unit

Fritch Crime Control – A special purpose district established to support the City of Fritch police department. The District receives one quarter of one percent of sales tax which is used to supplement purchases of the police department.

Discretely Presented Component Units

Fritch Economic Development Corporation - The activities of the Fritch Economic Development Corporation are included in the City's accompanying financial statements as a component unit. This Corporation is a separate nonprofit governmental unit administered by a five-member board appointed by the City Council. The City exercises significant oversight in approving budgets, corporate records, and accounting records of the Corporation.

Further financial information for the City's component units can be obtained from the City's Administrative Offices.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts all financial resources of the general government except for those required to be accounted for in other funds.

The government reports the following major proprietary fund:

Enterprise Fund is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.



**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

**B. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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.

Cash in the general and water and sewer funds is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to 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."

**3. Restricted assets**

Restricted assets in the General Fund, and Water and Sewer Fund are held for specific purposes in accordance with legal restrictions.

**4. Capital Assets**

Capital assets, which include land, buildings, equipment, improvements purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of \$5,000 is used for all capital assets.

GASB 34 requires infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be capitalized and depreciated. The City has determined that the net value of infrastructure assets at October 1, 2003, would be immaterial to the government-wide financial statements. The City has elected not to include infrastructure assets as required by GASB 34 prior to October 1, 2003, but to record all subsequent additions.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Equipment	5-10



**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

5. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spend for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

6. Reclassifications

Certain amounts presented in the prior year data would have to be reclassified in order to be consistent with the current year's presentation.

C. Stewardship, Compliance, and Accountability

1. Budgetary Information

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

**D. Detailed Notes on All Funds**

Cash includes demand deposits. The City is authorized to invest its funds under State law in obligations of the United States or its agencies, the State of Texas or its agencies, other obligations which are unconditionally guaranteed by the State of Texas or the United States, obligations of other governmental agencies with a bond rating of not less than AA or its equivalent, and certificates of deposit that are insured by Federal depository insurance and fully collateralized direct repurchase agreements. During the year ended September 30, 2017, the City did not own any investments other than those permitted by statute.

The City's bank deposits at September 30, 2017, were fully collateralized by federal deposit insurance coverage.

For purposes of the statements of cash flows, investments with an original maturity of three months or less when purchased are considered cash equivalents.

Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name. At year-end, the City was not significantly exposed to custodial credit risk.
- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

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- Interest rate risk is the risk of interest rates changes adversely affecting the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City's policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

E. Receivables

Primary Government

Receivables at September 30, 2017, consist of the following for governmental activities:

	General Fund	W&S Fund	Total
Taxes and assessments	\$ 140,052	\$ 291,201	\$ 431,253
Intergovernmental	<u>120,153</u>	<u>-</u>	<u>120,153</u>
Gross receivables	260,205	291,201	551,406
Less: Allowance for uncollectible accounts	<u>17,229</u>	<u>55,114</u>	<u>72,343</u>
Net total receivables	<u>\$ 242,976</u>	<u>\$ 236,087</u>	<u>\$ 479,063</u>

Discretely Presented Component Unit

Fritch Economic Development Corporation receivables at September 30, 2017, consist of the following:

Taxes and assessments	<u>\$ 10,727</u>
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F. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The City is permitted by state law to levy taxes for general governmental services, and the payment of principal and interest on long-term debt. The tax rates to finance general governmental services for the year ended September 30, 2017, was \$.712625 per \$100 valuation.

**CITY OF FRITCH, TEXAS**  
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G. Restricted Assets

Restricted assets in the governmental activities and business-type activities, held for specific purposes in accordance with legal restrictions, are comprised of the following:

<u>Business-Type Activities:</u>	
For meter deposits	<u>\$ 110,217</u>
 <u>Governmental Activities</u>	
For debt service	43,688
For capital projects	25
For police training	4,472
For crime control	<u>58,642</u>
Total governmental activities	<u>106,827</u>
Total restricted assets	<u>\$ 217,044</u>

H. Plant, Equipment, and Depreciation

Activity for the year ended September 30, 2017, is as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 138,222	\$ -	\$ -	\$ 138,222
Capital assets, being depreciated:				
Land improvements	358,975	-	-	358,975
Buildings and improvements	587,711	53,532	-	641,243
Furniture and equipment	670,929	29,366	-	700,295
Vehicles	<u>1,000,836</u>	<u>22,302</u>	-	<u>1,023,138</u>
Total capital assets, being depreciated:	<u>2,618,451</u>	<u>105,200</u>	-	<u>2,723,651</u>
Less accumulated depreciation for:				
Land improvements	(346,779)	(2,330)	-	(349,109)
Buildings and improvements	(410,667)	(18,687)	-	(429,354)
Furniture and equipment	(632,871)	(17,563)	-	(650,434)
Vehicles	<u>(837,763)</u>	<u>(47,771)</u>	-	<u>(885,534)</u>
Total accumulated depreciation	<u>(2,228,080)</u>	<u>(86,351)</u>	-	<u>(2,314,431)</u>
Total capital assets, being depreciated, net	<u>390,371</u>	<u>18,849</u>	-	<u>409,220</u>
Governmental activities capital assets, net	<u>\$ 528,593</u>	<u>\$ 18,849</u>	\$ -	<u>\$ 547,442</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 16,636	\$ -	\$ -	\$ 16,636
Capital assets, being depreciated:				
Infrastructure improvements	9,648,141	201,227	-	9,849,368
Buildings	43,455	-	-	43,455
Furniture and equipment	158,845	-	-	158,845
Recycling equipment	175,744	-	-	175,744
Vehicles	<u>84,711</u>	<u>32,386</u>	-	<u>117,097</u>
Total capital assets, being depreciated:	<u>10,110,896</u>	<u>233,613</u>	-	<u>10,344,509</u>
Less accumulated depreciation for:				
Infrastructure improvements	(4,257,625)	(292,487)	-	(4,550,112)
Buildings	(43,455)	-	-	(43,455)
Furniture and equipment	(149,383)	(3,124)	-	(152,507)
Recycling equipment	(152,272)	(5,692)	-	(157,964)
Vehicles	<u>(60,351)</u>	<u>(8,312)</u>	-	<u>(68,663)</u>
Total accumulated depreciation	<u>(4,663,086)</u>	<u>(309,615)</u>	-	<u>(4,972,701)</u>
Total capital assets, being depreciated, net	<u>5,447,810</u>	<u>(76,002)</u>	-	<u>5,371,808</u>
Business-type activities capital assets, net	<u>\$ 5,464,446</u>	<u>\$ (76,002)</u>	<u>\$ -</u>	<u>\$ 5,388,444</u>

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

Governmental activities:	
General government	\$ 18,687
Street	5,183
Police	27,404
Fire	30,509
Park	<u>4,568</u>
Total governmental activities	<u>\$ 86,351</u>
Business-type activities:	
Water and sewer	\$ 303,923
Trash	<u>5,692</u>
Total business-type activities	<u>\$ 309,615</u>

**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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I. Long-Term Debt

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2017:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental</u>					
<u>activities:</u>					
Kansas State Bank					
Tahoe/Ambulance	\$ 8,567	\$ -	\$ (8,567)	\$ -	\$ -
Police Explorer	29,426	-	(6,612)	22,814	7,085
Capital lease payable	19,709	-	(6,291)	13,418	6,558
Compensated absences	<u>5,365</u>	<u>-</u>	<u>(2,604)</u>	<u>2,761</u>	<u>276</u>
Governmental activities Long-term debt	<u>\$ 63,067</u>	<u>\$ -</u>	<u>\$ (24,074)</u>	<u>\$ 38,993</u>	<u>\$ 13,919</u>
<u>Business-type</u>					
<u>activities:</u>					
Certificate of obligation	\$ 2,810,000	\$ -	\$ (105,000)	\$ 2,705,000	\$ 110,000
Original issue discount	(35,421)	-	2,164	(33,257)	
Certificate of obligation	2,398,000	-	(60,000)	2,338,000	63,000
Compensated absences	<u>14,691</u>	<u>-</u>	<u>(4,494)</u>	<u>10,197</u>	<u>1,020</u>
Business-type activities long-term debt	<u>\$ 5,187,270</u>	<u>\$ -</u>	<u>\$ (167,330)</u>	<u>\$ 5,019,940</u>	<u>\$ 174,020</u>

The annual requirements to pay principal and interest on the City's bonded debt at September 30, 2017 are as follows:

Year Ending September 30,	2011 Series Bonds	2003 Series Bonds	Total
2018	191,590	248,606	440,196
2019	192,125	253,087	445,212
2020	191,440	252,081	443,521
2021	191,590	250,706	442,296
2022	165,520	249,081	414,601
2023-27	841,300	1,254,363	2,095,663
2028-32	861,155	1,251,775	2,112,930
2033-37	881,985	251,584	1,133,569
2038-41	<u>741,345</u>	<u>-</u>	<u>741,345</u>
Total	<u>\$ 4,258,050</u>	<u>\$ 4,011,283</u>	<u>\$ 8,269,333</u>

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The City issued Tax and Revenue Certificates of Obligation, dated February 1, 2003, in the amount of \$3,800,000. An original issue discount of \$57,052 is associated with the issuance of the certificates. The purpose of the certificates were to retire 1998 obligations which funded sewer system lagoon repairs, improvements, and remediation, as well as other water and sewer system infrastructure improvements. The principal is payable in annual installments of \$70,000 to \$245,000, with interest from 3% to 5.375%, with the debt being serviced from the Water and Sewer Fund. The certificates will mature in increments each year starting in 2005 and finishing in 2033. The balance at September 30, 2017 is \$2,705,000.

The City has issued Water Works and Sewer System Revenue Certificates of Obligation Series 2011 in the amount of \$2,677,000. The purpose of the certificates was to purchase the Hi-Texas Water Corporation waterworks system. The principal is payable in annual installments of \$69,000 to \$180,000, with interest at 5.50% through 2021, with the debt being serviced from the Water and Sewer Fund. The rate is subject to adjustment after July 31 2021. The certificates mature annually in increments each year starting in 2012 and finishing in 2041. The balance at September 30, 2017 is \$2,338,000.

The annual requirements to pay principal and interest on the City's notes payable at September 30, 2017 are as follows:

Year Ending September 30,	<u>Explorer</u>
2018	\$ 8,717
2019	8,717
2020	<u>8,717</u>
Total	<u>\$ 26,151</u>

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2017, as follows:

<u>Year Ending September 30:</u>	
<u>Governmental-type activities</u>	
2018	\$ 7,128
2019	<u>7,128</u>
Total minimum lease payment	14,256
Amount representing interest	<u>838</u>
Present value of minimum lease payments	<u>\$ 13,418</u>

Leased equipment under capital leases in capital assets at September 30, 2017, had a net book value of \$23,343. Amortization of leased equipment under capital assets is included with depreciation expense.



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The City purchased a John Deere Utility Tractor March 2016, with a lease/purchase arrangement. The total contract price was \$29,706, less a down payment of \$10,000, leaving a balance payable of \$19,706. The lease/purchase contract is to be paid in three annual installments of \$7,128 each with the first installment due March, 2017, and the final installment due March 2019. The contract carries an interest rate of 4.25% per annum. The principal balance at September 30, 2017, is \$13,418.

J. Pension Plan

Plan Description

The City of Fritch participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City of Fritch were as follows:

Deposit rate:	7%
Matching ratio (to employee)	2 to 1
A member is vested after:	5 years
Service retirement eligibility	60/5, 0/25
Updated service credit	100% Repeating Transfers
Annuity increase (no retirees)	0% of CPI



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At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	34
Active employees	<u>18</u>
Total	61

Contributions

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

Employees for the City of Fritch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Fritch were 2.19% and 3.63% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$21,847, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-district RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 98%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major class asset in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

**CITY OF FRITCH, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
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	Total Pension <u>Liability</u> (a)	Plan Fiduciary <u>Net Position</u> (b)	Net Pension <u>Liability</u> (a) – (b)
Balance at 12/31/15	\$ 1,237,055	\$ 1,760,578	\$ (523,523)
Changes for the year:			
Service cost	101,227		101,227
Interest	84,803		84,803
Change of benefit terms	-		-
Difference between expected and actual experience	(18,726)		(18,726)
Changes of assumptions	-		-
Contributions – employer		13,305	(13,305)
Contributions – employee		48,007	(48,007)
Net investment income		118,924	(118,924)
Benefit payments, including refunds of employee contributions	(62,661)	(62,661)	-
Administrative expense		(1,344)	1,344
Other changes	-	(72)	72
Net changes	<u>104,643</u>	<u>116,159</u>	<u>(11,516)</u>
Balance at 12/31/2016	<u>\$ 1,341,698</u>	<u>\$ 1,876,737</u>	<u>\$ (535,039)</u>

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

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

	1% Decrease in <u>Discount Rate (5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase in <u>Discount Rate (7.75%)</u>
City's net pension liability	\$ (329,621)	\$ (535,039)	\$ (700,411)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$48,592.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 4,807
Changes in actuarial assumptions	8,434	-
Difference between projected and actual investment earnings	79,819	-
Contributions subsequent to the measurement date	<u>17,215</u>	-
Total	<u>\$ 105,468</u>	<u>\$ 4,807</u>

**CITY OF FRITCH, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
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\$10,281 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ 35,140
2019	24,634
2020	23,689
2021	<u>(17)</u>
Total	<u>\$ 83,446</u>

**Supplemental Death Benefits Fund-** The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$1,608, \$1,557 and \$1,137, respectively, which equaled the required contributions each year.

K. Health Care Coverage

During the year ended September 30, 2017 the City paid the full medical insurance premium coverage on each of its participating employees. At each employee's discretion, they may also include their spouse or dependents and the employee pays this coverage by a payroll deduction. The City's share of employee health insurance is \$67,946.

L. Commitments and Contingencies

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

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M. Expenditures in Excess of Budgeted Amounts

During the year ended September 30, 2017, the City had expenditures in excess of the budgeted amount in the General Fund in the following areas and amounts:

Museum	\$ 384
Capital outlay	<u>16,668</u>
Total	<u>\$ 17,052</u>

N. Accumulated Unpaid Vacation and Sick Leave Benefits

At September 30, 2017, the City had accrued vacation leave and sick leave benefits of \$12,958.

O. Litigation

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

P. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Crime Control	General	<u>\$ 32,621</u>	Temporary loan

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Water & Sewer	General Fund	<u>\$ 156,097</u>	Fund operating deficits
I & S	Water & Sewer	<u>\$ 220,478</u>	Debt payments

# CITY OF FRITCH, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2017

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Years (will ultimately be displayed)

	12/31/2014	12/31/2015	12/31/2016
<b>Total pension liability</b>			
Service Cost	\$ 85,091	\$ 107,454	\$ 101,227
Interest (on the Total Pension Liability)	73,260	74,901	84,803
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(55,420)	26,202	(18,726)
Change of assumptions	-	35,208	-
Benefit payments, including refunds of employee contributions	(135,361)	(45,987)	(62,661)
Net change in Total Pension Liability	(32,430)	197,778	104,643
Total Pension Liability - Beginning	1,071,707	1,039,277	1,237,055
Total Pension Liability - Ending	\$ 1,039,277	\$ 1,237,055	\$ 1,341,698
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 9,919	\$ 23,278	\$ 13,305
Contributions - Employee	46,600	52,563	48,007
Net Investment Income	97,913	2,552	118,924
Benefit payments, including refunds of employee contributions	(135,361)	(45,987)	(62,661)
Administrative expense	(1,022)	(1,554)	(1,344)
Other	(84)	(77)	(72)
Net Change in Plan Fiduciary Net Position	17,965	30,775	116,159
Plan Fiduciary Net Position - Beginning	1,711,838	1,729,803	1,760,578
Plan Fiduciary Net Position - Ending	\$ 1,729,803	\$ 1,760,578	\$ 1,876,737
 Net Pension Liability Ending (a)-(b)	\$ (690,526)	\$ (523,523)	\$ (535,039)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	166.44%	142.32%	139.88%
 Covered Employee Payroll	\$ 657,374	\$ 750,900	\$ 685,820
 Net Pension Liability as a Percentage of Covered Employee Payroll	-105.04%	-69.72%	-78.01%

# CITY OF FRITCH, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2017

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

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
Actuarially Determined Contribution	\$ 22,233	\$ 24,329	\$ 13,305
Contributions in relation to the actuarially determined contribution	<u>22,233</u>	<u>24,329</u>	<u>13,305</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 657,734	\$ 750,900	\$ 685,820
Contributions as a percentage of covered employee payroll	3.38%	3.24%	1.94%

#### 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	3%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Cit's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB.

#### Other Information:

Notes

There were no benefit changes during the year.



## Independent Auditor's Report

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council  
City of Fritch, Texas  
Fritch, Texas 79036

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fritch, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Fritch Texas's basic financial statements, and have issued our report thereon dated February 20, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fritch, Texas's internal control over financial reporting (internal control) to determine the 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 City of Fritch, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fritch, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



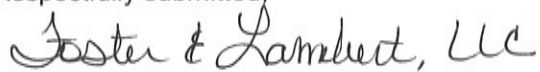
## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Fritch, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Foster & Lambert, LLC".

Foster & Lambert, L.L.C.  
February 20, 2018



# CITY OF FRITCH, TEXAS

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2017

N/A