

**CITY OF ANAHUAC, TEXAS**

**ANNUAL FINANCIAL REPORT**

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



**CITY OF ANAHUAC, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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# **INTRODUCTORY SECTION**

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**CITY OF ANAHUAC, TEXAS  
PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2017**

**MAYOR**

Cheryl Sanders

**CITY COUNCIL**

Position 1: Charlie Henry, Mayor Pro Tem  
Position 2: Janice Jircik  
Position 3: Sean Perry  
Position 4: Deidre Crews  
Position 5: Danny Thompson

**CITY SECRETARY**

Julie Harvill

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## **FINANCIAL SECTION**

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**Start, Garcia & Stanley, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Anahuac, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Anahuac, 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. We did not audit the financial statements of the City's discretely presented component unit, Anahuac Municipal Development District (the District), which reports total assets, net position, and revenues of \$450,680, \$450,021, \$99,181, respectively. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 auditors' 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, based on our audit and the report of other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the primary government of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and TMRS pension schedules on pages 9 through 15 and 49 through 52, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of long-term debt within the other supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of long-term debt is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and schedule of services and rates within the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
Start, Garcia & Stanley, LLC

Baytown, Texas  
August 16, 2018

**CITY OF ANAHUAC, TEXAS**  
*Management's Discussion and Analysis*  
*September 30, 2017*

As management of Anahuac, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,737,755 (*net position*).
- During the year, the City's expenses of \$2,834,728 exceeded revenues of \$2,446,594 by \$388,134, which represents the decrease in net position for the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$226,880, which represents approximately 40% of total general fund expenditures.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources (if any), 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 is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City'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., depreciation).

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Anahuac Municipal Development District for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The governmental-wide financial statements can be found as noted in the table of contents of 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. Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the most significant funds – not the City as a whole. The City has two types of funds:

*Governmental Funds* – Some of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at each year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided that explains the relationship/differences between them.

**CITY OF ANAHUAC, TEXAS**  
*Management's Discussion and Analysis*  
*September 30, 2017*

The City reports the General and Debt Service Funds for governmental financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds, which are considered to be major funds as of September 30, 2017.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

*Proprietary Funds* – Proprietary Funds include the City's Utility and Sanitation Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for its water and sewer operations and its solid waste operations.

The basic proprietary funds financial statements can be found as noted in the table of contents of this report.

### **Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council.
- *Assigned* – includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*.

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

The notes to the financial statements provide 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 as noted in the table of contents of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget, net pension liability and related ratios, and contributions for the Texas Municipal Retirement System. Required supplementary information can be found as noted in the table of contents of this report.

### **Other Supplementary Information**

The other supplementary information is presented immediately following the required supplementary information.

**CITY OF ANAHUAC, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2017**

**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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,737,755 at the close of the most recent fiscal year.

**COMPARATIVE SCHEDULE OF NET POSITION**  
*September 30, 2017 and 2016*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 566,751	\$ 437,997	\$ 16,829,259	\$ 1,319,053	\$ 17,396,010	\$ 1,757,050
Capital assets	320,900	282,829	13,134,148	12,858,372	13,455,048	13,141,201
<b>Total assets</b>	<u>887,651</u>	<u>720,826</u>	<u>29,963,407</u>	<u>14,177,425</u>	<u>30,851,058</u>	<u>14,898,251</u>
<b>Deferred outflows of resources</b>	<u>29,560</u>	<u>32,323</u>	<u>24,186</u>	<u>26,447</u>	<u>53,746</u>	<u>58,770</u>
Other liabilities	41,737	182,122	861,022	1,005,512	902,759	1,187,634
Long-term liabilities	542,312	514,327	20,719,363	4,099,215	21,261,675	4,613,542
<b>Total liabilities</b>	<u>584,049</u>	<u>696,449</u>	<u>21,580,385</u>	<u>5,104,727</u>	<u>22,164,434</u>	<u>5,801,176</u>
<b>Deferred inflows of resources</b>	<u>1,438</u>	<u>16,476</u>	<u>1,177</u>	<u>13,480</u>	<u>2,615</u>	<u>29,956</u>
Net position:						
Net investment in capital assets	234,667	157,829	7,732,274	8,225,864	7,966,941	8,383,693
Restricted	256,997	143,306	-	-	256,997	143,306
Unrestricted	(159,940)	(260,911)	673,757	859,801	513,817	598,890
<b>Total net position</b>	<u>\$ 331,724</u>	<u>\$ 40,224</u>	<u>\$ 8,406,031</u>	<u>\$ 9,085,665</u>	<u>\$ 8,737,755</u>	<u>\$ 9,125,889</u>

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position (3 percent) represents restricted financial resources to be used for debt service.

Due to the implementation of GASB-68 in 2015, the City reports deferred outflows and inflows of resources related to its pension plan. In addition, the City reports a net pension liability of \$39,781 and \$26,050 for 2017 and 2016, respectively, which is included in long-term liabilities above. Information related to the City's pension plan can be found in the footnotes and required supplementary information schedules.

**CITY OF ANAHUAC, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2017**

Net position of the City, which relates to governmental and business-type activities, decreased by \$388,134. Key elements of the decrease are as follows:

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**

*For the Years Ended September 30, 2017 and 2016*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 53,917	\$ 20,319	\$ 1,518,559	\$ 1,288,421	\$ 1,572,476	\$ 1,308,740
Operating grants & contributions	-	-	-	-	-	-
Capital grants & contributions	-	-	22,500	720,363	22,500	720,363
<b>General revenues:</b>						
Property taxes	458,830	443,081	-	-	458,830	443,081
Other taxes	286,303	288,630	-	-	286,303	288,630
Other	57,315	22,197	49,170	95,551	106,485	117,748
<b>Total revenues</b>	<u>856,365</u>	<u>774,227</u>	<u>1,590,229</u>	<u>2,104,335</u>	<u>2,446,594</u>	<u>2,878,562</u>
<b>Expenses:</b>						
General government	499,867	347,022	-	-	499,867	347,022
Public safety	18,000	18,500	-	-	18,000	18,500
Public works	21,377	22,421	-	-	21,377	22,421
Interest on long-term debt	19,330	20,910	-	-	19,330	20,910
Issuance costs	-	1,380	-	-	-	1,380
Utility	-	-	2,151,664	1,486,748	2,151,664	1,486,748
Sanitation	-	-	124,490	156,343	124,490	156,343
<b>Total expenses</b>	<u>558,574</u>	<u>410,233</u>	<u>2,276,154</u>	<u>1,643,091</u>	<u>2,834,728</u>	<u>2,053,324</u>
Increase (decrease) in net position before transfers and capital contributions	297,791	363,994	(685,925)	461,244	(388,134)	825,238
Transfers in (out)	(6,291)	(560,387)	6,291	560,387	-	-
<b>Change in net position</b>	291,500	(196,393)	(679,634)	1,021,631	(388,134)	825,238
<b>Net position, beginning</b>	40,224	236,617	9,085,665	8,064,034	9,125,889	8,300,651
Prior period adjustment	-	-	-	-	-	-
<b>Net position, ending</b>	<u>\$ 331,724</u>	<u>\$ 40,224</u>	<u>\$ 8,406,031</u>	<u>\$ 9,085,665</u>	<u>\$ 8,737,755</u>	<u>\$ 9,125,889</u>

The City's revenue from governmental activities totaled \$856,365 and expenses totaled \$558,574. The governmental net position increased \$291,500, as compared to a decrease of \$196,393 in the prior year. The increase in net position in the current year can be mainly attributed to additional revenues over expenses. Decrease in net position in the prior year was attributed to transfer of resources to business-type activities.

The City's revenue from business-type activities totaled \$1,590,229 and expenses totaled \$2,276,154. The business-type net position decreased \$679,634, as compared to an increase of \$1,021,631 in the prior year. The decrease in net position in the current year can be mainly attributed to additional interest expense and debt issuance cost of approximately \$761,000. Increase in net position in the prior year was attributed to additional grant funding and a transfer of resources from governmental activities.



**CITY OF ANAHUAC, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2017**

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed as follows:

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

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$454,260, which is an increase of \$114,972 over last year's total of \$339,288. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Total General Fund expenditures exceeded unassigned fund balance.

The increase in total governmental fund balance of \$114,972 resulted primarily from transfer of resources to business-type activities.

*Proprietary Funds* – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility and Sanitation funds have net position at fiscal year end of \$8,345,432 and \$60,599, respectively. These two funds combined make up the business-type activities noted above.

**General Fund Budgetary Highlights**

During the year, there were no increases or decreases in appropriations between the original and final amended budget for revenues and expenditures of the General Fund.

	<b>BUDGET</b>	
	<b>Original</b>	<b>Final</b>
Total revenues	\$ 538,750	\$ 538,750
Total expenditures & transfers	592,082	592,082
Net change in fund balance	\$ (53,332)	\$ (53,332)

The City expected a decrease in General Fund fund balance of approximately \$53,000; however, the net change in fund balance had an overall favorable variance of approximately \$58,000. This unfavorable variance resulted from the following:

	<b>Final</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Total revenues	\$ 538,750	\$ 607,275	\$ 68,525
Total expenditures	542,082	590,680	(48,598)
Total transfers in (out)	(50,000)	(12,045)	37,955
Net change in fund balance	\$ (53,332)	\$ 4,550	\$ 57,882

Overall, the General Fund fund balance increased \$4,550 over the prior year, which increased unassigned fund balance by the same amount. The increase in fund balance primarily resulted from transfer of resources to business-type activities.

**CITY OF ANAHUAC, TEXAS**  
**Management's Discussion and Analysis**  
**September 30, 2017**

**Capital Assets and Debt Administration**

*Capital Assets* – The City’s investment in capital assets as of September 30, 2017, totals to \$13,455,048 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment as follows:

**SCHEDULE OF CAPITAL ASSETS**  
**(Net of Accumulated Depreciation)**  
**September 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
	<b>Non-Depreciable Assets</b>					
Land	\$ 256,740	\$ 256,740	\$ -	\$ -	\$ 256,740	\$ 256,740
Construction in Progress	-	-	4,458,355	3,829,551	4,458,355	3,829,551
<b>Other Capital Assets</b>						
Buildings	21,158	21,881	31,812	35,358	52,970	57,239
Improvements other than buildings	3,268	4,208	8,489,947	8,810,368	8,493,215	8,814,576
Machinery and equipment	39,734	-	154,034	183,095	193,768	183,095
<b>Totals</b>	<b>\$ 320,900</b>	<b>\$ 282,829</b>	<b>\$ 13,134,148</b>	<b>\$ 12,858,372</b>	<b>\$ 13,455,048</b>	<b>\$ 13,141,201</b>

Additional information about the City’s capital assets can be found in notes to the financial statements.

**Long-term Debt**

At the end of the current fiscal year, the City had \$21,221,894 in long-term debt outstanding.

**SCHEDULE OF LONG-TERM DEBT**  
**September 30, 2017 and 2016**

	2017	2016
General Obligation Bonds:		
Governmental activities	\$ 499,200	\$ 649,000
Certificates of Obligation:		
Business-type activities	20,641,900	4,267,900
Lease obligations		
Governmental activities	21,233	-
Business-type activities	59,561	116,354
<b>Total</b>	<b>\$ 21,221,894</b>	<b>\$ 5,033,254</b>

During 2017, the City’s debt increased by approximately \$16.2 million over the prior year. This increase was due to issuance of \$16.6 million in certificates of obligation, offset by regularly scheduled debt service requirements. Additional information on the City’s long-term debt can be found in the notes to the financial statements.

**Economic Factors and Next Year’s Budget**

- Total tax rate of \$.710234 per \$100 valuation in fiscal year 2018 (\$.309098 for maintenance & operations and \$.401136 for interest & sinking)
- Amounts available for appropriation in the General Fund were \$226,880 at September 30, 2017. The City’s General Fund balance is expected to increase approximately \$27,000 in 2018.

**CITY OF ANAHUAC, TEXAS**  
*Management's Discussion and Analysis*  
*September 30, 2017*

**Request for Information**

This financial report is designed to provide a general overview of the City of Anahuac, Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to City of Anahuac, Texas, Attn: Cheryl Sanders, Mayor, 501 Miller Street, P.O. Box 578, Anahuac, Texas 77514-0578.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF ANAHUAC, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

A-1

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>AMDD</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 462,613	\$ 341,212	\$ 803,825	\$ 432,836
Restricted cash	-	16,181,857	16,181,857	-
Property taxes, net	72,866	-	72,866	-
Accounts receivables, net	-	172,498	172,498	17,844
Due from other governments	31,272	109,859	141,131	-
Internal balances	-	23,833	23,833	-
Capital assets, net of accumulated depreciation	320,900	13,134,148	13,455,048	-
<b>Total Assets</b>	<b>887,651</b>	<b>29,963,407</b>	<b>30,851,058</b>	<b>450,680</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows - pension	29,560	24,186	53,746	-
<b>Total Deferred Outflows of Resources</b>	<b>29,560</b>	<b>24,186</b>	<b>53,746</b>	<b>-</b>
<b><u>Liabilities</u></b>				
Accounts payable	30,879	220,771	251,650	659
Accrued interest payable	2,112	202,758	204,870	-
Payroll withholdings & deductions	5,945	2,621	8,566	-
Accrued wages	2,025	2,318	4,343	-
Sales tax payable	-	854	854	-
Other liabilities	396	477	873	-
Accrued expenses	-	311,731	311,731	-
Customer deposits	-	90,422	90,422	-
Unearned revenues	-	5,617	5,617	-
Internal balances	380	23,453	23,833	-
Noncurrent liabilities:				
Due within one year	163,852	303,319	467,171	-
Due in more than one year	356,581	20,398,142	20,754,723	-
Net pension liability	21,879	17,902	39,781	-
<b>Total Liabilities</b>	<b>584,049</b>	<b>21,580,385</b>	<b>22,164,434</b>	<b>659</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows - pension	1,438	1,177	2,615	-
<b>Total Deferred Inflows of Resources</b>	<b>1,438</b>	<b>1,177</b>	<b>2,615</b>	<b>-</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	234,667	7,732,274	7,966,941	-
Restricted for:				
Debt service	256,997	-	256,997	-
Unrestricted	(159,940)	673,757	513,817	450,021
<b>Total Net Position</b>	<b>\$ 331,724</b>	<b>\$ 8,406,031</b>	<b>\$ 8,737,755</b>	<b>\$ 450,021</b>

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

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

A-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	AMDD
<b>Governmental Activities</b>								
General government	\$ 499,867	\$ 53,917	\$ -	\$ -	\$ (445,950)	\$ -	\$ (445,950)	\$ -
Public safety	18,000	-	-	-	(18,000)	-	(18,000)	-
Public works	21,377	-	-	-	(21,377)	-	(21,377)	-
Interest and fiscal agent fees	19,330	-	-	-	(19,330)	-	(19,330)	-
<b>Total Governmental Activities</b>	<u>558,574</u>	<u>53,917</u>	<u>-</u>	<u>-</u>	<u>(504,657)</u>	<u>-</u>	<u>(504,657)</u>	<u>-</u>
<b>Business-Type Activities</b>								
Utility	2,151,664	1,371,575	-	22,500	-	(757,589)	(757,589)	-
Sanitation	124,490	146,984	-	-	-	22,494	22,494	-
<b>Total Business-Type Activities</b>	<u>2,276,154</u>	<u>1,518,559</u>	<u>-</u>	<u>22,500</u>	<u>-</u>	<u>(735,095)</u>	<u>(735,095)</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 2,834,728</u>	<u>\$ 1,572,476</u>	<u>\$ -</u>	<u>\$ 22,500</u>	<u>\$ (504,657)</u>	<u>\$ (735,095)</u>	<u>\$ (1,239,752)</u>	<u>\$ -</u>
<b>Component Unit</b>								
Anahuac Municipal Development District	42,830	-	-	-	-	-	-	(42,830)
<b>Total Component Unit</b>	<u>42,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,830)</u>
<b>General Revenues:</b>								
Property taxes					\$ 458,830	\$ -	\$ 458,830	\$ -
Sales taxes					188,106	-	188,106	99,181
Franchise taxes					98,197	-	98,197	-
Investment earnings					2,952	22,011	24,963	-
Miscellaneous					54,363	27,159	81,522	-
Transfers, net					(6,291)	6,291	-	-
<b>Total General Revenues and Transfers</b>					<u>796,157</u>	<u>55,461</u>	<u>851,618</u>	<u>99,181</u>
<b>Change in Net Position</b>					291,500	(679,634)	(388,134)	56,351
<b>Net Position, Beginning</b>					40,224	9,085,665	9,125,889	393,670
<b>Net Position, Ending</b>					<u>\$ 331,724</u>	<u>\$ 8,406,031</u>	<u>\$ 8,737,755</u>	<u>\$ 450,021</u>

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



**CITY OF ANAHUAC, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

B-1

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 235,233	\$ 227,380	\$ 462,613
Property taxes, net	41,137	31,729	72,866
Due from other governments	31,272	-	31,272
<b>Total Assets</b>	<b>\$ 307,642</b>	<b>\$ 259,109</b>	<b>\$ 566,751</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 30,879	\$ -	\$ 30,879
Payroll withholdings & deductions	5,945	-	5,945
Accrued wages	2,025	-	2,025
Due to other funds	380	-	380
Other liabilities	396	-	396
<b>Total Liabilities</b>	<b>39,625</b>	<b>-</b>	<b>39,625</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - property taxes	41,137	31,729	72,866
<b>Total Deferred Inflows of Resources</b>	<b>41,137</b>	<b>31,729</b>	<b>72,866</b>
<b><u>Fund Balances</u></b>			
Restricted fund balance:			
Retirement of long-term debt	-	227,380	227,380
Unassigned fund balance	226,880	-	226,880
<b>Total Fund Balances</b>	<b>226,880</b>	<b>227,380</b>	<b>454,260</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 307,642</b>	<b>\$ 259,109</b>	<b>\$ 566,751</b>

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

**CITY OF ANAHUAC, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

**B-2**

<b>Total Fund Balances - Governmental Funds</b>	\$	454,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. At the end of the year, the cost of these assets was \$492,079 and the accumulated depreciation was \$171,179. The net effect is an increase to net position.		320,900
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The net effect is a decrease to net position.		(542,312)
Deferred outflows and inflows of resources related to pensions are not reported in governmental funds. The net effect as an increase to net position.		28,122
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and accrued interest. The net effect of these reclassifications and recognitions is an increase in net position.		70,754
<b>Net Position of Governmental Activities</b>	<u>\$</u>	<u>331,724</u>

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

**CITY OF ANAHUAC, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

B-3

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>			
Property taxes	\$ 209,740	\$ 244,766	\$ 454,506
Sales taxes	188,106	-	188,106
Franchise taxes	98,197	-	98,197
Licenses and permits	51,013	-	51,013
Fees & fines	2,904	-	2,904
Investment earnings	2,952	-	2,952
Miscellaneous	54,363	-	54,363
<b>Total Revenues</b>	<b>607,275</b>	<b>244,766</b>	<b>852,041</b>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
General government	542,661	-	542,661
Public safety	18,000	-	18,000
Public works	21,377	-	21,377
<b>Debt Service:</b>			
Principal on long-term debt	6,960	149,000	155,960
Interest and fiscal agent fees	1,682	19,291	20,973
<b>Total Expenditures</b>	<b>590,680</b>	<b>168,291</b>	<b>758,971</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>16,595</b>	<b>76,475</b>	<b>93,070</b>
<b><u>Other Financing (Uses)</u></b>			
Transfers in	9,762	50,000	59,762
Proceeds from capital leases	28,193	-	28,193
Transfers (out)	(50,000)	(16,053)	(66,053)
<b>Total Other Financing (Uses)</b>	<b>(12,045)</b>	<b>33,947</b>	<b>21,902</b>
<b>Net Change in Fund Balances</b>	<b>4,550</b>	<b>110,422</b>	<b>114,972</b>
<b>Fund balances - Beginning</b>	<b>222,330</b>	<b>116,958</b>	<b>339,288</b>
<b>Fund Balances - Ending</b>	<b>\$ 226,880</b>	<b>\$ 227,380</b>	<b>\$ 454,260</b>

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

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES 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>	\$	114,972
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position.		(6,453)
Current year capital outlays are expenditures in the fund statements, but they should be shown as increases in capital assets in the government-wide financial statements. The next effect of removing the 2017 capital outlays is an increase to net position.		44,524
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The net effect is to increase net position.		128,567
The change in net pension liability and deferred outflows/inflows of resources are reported as expenses in the Statement of Activities. The net effect is to increase net position.		4,723
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is an increase in net position.		5,167
<b>Change in Net Position of Governmental Activities</b>	\$	<u>291,500</u>

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

**CITY OF ANAHUAC, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

C-1

	<b>Business-type Activities</b>		<b>Total</b>
	<b>Enterprise Funds</b>		
	<b>Utility</b>	<b>Sanitation</b>	
	<b>Fund</b>	<b>Fund</b>	
<b><u>Assets</u></b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 310,773	\$ 30,439	\$ 341,212
Accounts receivable, net	154,334	18,164	172,498
Due from other governments	109,859	-	109,859
Due from other funds	380	23,453	23,833
Total Current Assets	<u>575,346</u>	<u>72,056</u>	<u>647,402</u>
<b>Non-Current Assets:</b>			
Restricted assets - cash	16,181,857	-	16,181,857
Capital assets, net of accumulated depreciation	13,134,148	-	13,134,148
Total Non-Current Assets	<u>29,316,005</u>	<u>-</u>	<u>29,316,005</u>
<b>Total Assets</b>	<u>29,891,351</u>	<u>72,056</u>	<u>29,963,407</u>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows - pension	24,186	-	24,186
<b>Total Deferred Outflows of Resources</b>	<u>24,186</u>	<u>-</u>	<u>24,186</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities:</b>			
Accounts payable	210,168	10,603	220,771
Accrued interest payable	202,758	-	202,758
Payroll withholdings & deductions	2,621	-	2,621
Accrued wages	2,318	-	2,318
Sales tax payable	-	854	854
Other liabilities	477	-	477
Accrued expenses	311,731	-	311,731
Customer deposits	90,422	-	90,422
Unearned revenues	5,617	-	5,617
Due to other funds	23,453	-	23,453
Long-term debt payable-current	303,319	-	303,319
Total Current Liabilities	<u>1,152,884</u>	<u>11,457</u>	<u>1,164,341</u>
<b>Non-Current Liabilities:</b>			
Long-term debt payable	20,398,142	-	20,398,142
Net pension liability	17,902	-	17,902
Total Non-Current Liabilities	<u>20,416,044</u>	<u>-</u>	<u>20,416,044</u>
<b>Total Liabilities</b>	<u>21,568,928</u>	<u>11,457</u>	<u>21,580,385</u>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows - pension	1,177	-	1,177
<b>Total Deferred Inflows of Resources</b>	<u>1,177</u>	<u>-</u>	<u>1,177</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	7,732,274	-	7,732,274
Unrestricted	613,158	60,599	673,757
<b>Total Net Position</b>	<u>\$ 8,345,432</u>	<u>\$ 60,599</u>	<u>\$ 8,406,031</u>

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

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

C-2

	<b>Business-type Activities</b>		<b>Total</b>
	<b>Enterprise Funds</b>		
	<b>Utility</b>	<b>Sanitation</b>	
	<b>Fund</b>	<b>Fund</b>	
<b><u>Operating Revenues</u></b>			
Water & sewer fees	\$ 1,309,605	\$ -	\$ 1,309,605
Water & sewer tap fees	11,401	-	11,401
Solid waste (sanitation) collection	-	146,984	146,984
Service charges and other services	50,569	-	50,569
Other revenues	27,159	-	27,159
<b>Total Operating Revenues</b>	<b>1,398,734</b>	<b>146,984</b>	<b>1,545,718</b>
<b><u>Operating Expenses</u></b>			
Salaries & benefits	208,016	-	208,016
Cost of materials	501,105	1,217	502,322
Contracted services	-	123,273	123,273
Miscellaneous	167,085	-	167,085
Depreciation	353,028	-	353,028
<b>Total Expenditures</b>	<b>1,229,234</b>	<b>124,490</b>	<b>1,353,724</b>
<b>Operating Income (Loss)</b>	<b>169,500</b>	<b>22,494</b>	<b>191,994</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Investment earnings	22,011	-	22,011
Grant revenue	22,500	-	22,500
Interest and fiscal agent fees	(922,430)	-	(922,430)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(877,919)</b>	<b>-</b>	<b>(877,919)</b>
<b>Income (Loss) Before Transfers</b>	<b>(708,419)</b>	<b>22,494</b>	<b>(685,925)</b>
Transfers in	16,053	-	16,053
Transfers (out)	(9,762)	-	(9,762)
<b>Net Income (Loss)</b>	<b>(702,128)</b>	<b>22,494</b>	<b>(679,634)</b>
<b>Net Position, Beginning</b>	<b>9,047,560</b>	<b>38,105</b>	<b>9,085,665</b>
<b>Net Position, Ending</b>	<b>\$ 8,345,432</b>	<b>\$ 60,599</b>	<b>\$ 8,406,031</b>

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

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

C-3

	Business-type Activities		Total
	Enterprise Funds		
	Utility Fund	Sanitation Fund	
<b><u>Cash Flows from Operating Activities</u></b>			
Cash received from customers and users	\$ 1,405,430	\$ 146,125	\$ 1,551,555
Cash paid to suppliers and service providers	(605,131)	(123,351)	(728,482)
Cash paid to employees for salaries and benefits	(208,170)	-	(208,170)
<b>Net Cash Provided by Operating Activities</b>	<b>592,129</b>	<b>22,774</b>	<b>614,903</b>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>			
Operating transfers in	39,506	-	39,506
Operating transfers (out)	(10,142)	(23,453)	(33,595)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>29,364</b>	<b>(23,453)</b>	<b>5,911</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Proceeds from certificates of obligation	16,615,000	-	16,615,000
Acquisition and construction of capital assets	(708,334)	-	(708,334)
Principal paid on outstanding debt	(297,793)	-	(297,793)
Interest paid on outstanding debt	(151,253)	-	(151,253)
Debt issuance costs paid on debt	(632,577)	-	(632,577)
<b>Net Cash (Used) by Capital Related Financing Activities</b>	<b>14,825,043</b>	<b>-</b>	<b>14,825,043</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	22,011	-	22,011
<b>Net Cash Provided by Investing Activities</b>	<b>22,011</b>	<b>-</b>	<b>22,011</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>15,468,547</b>	<b>(679)</b>	<b>15,467,868</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>1,024,083</b>	<b>31,118</b>	<b>1,055,201</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 16,492,630</b>	<b>\$ 30,439</b>	<b>\$ 16,523,069</b>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>			
<b><u>Provided (Used) by Operating Activities</u></b>			
Operating income (loss)	\$ 169,500	\$ 22,494	\$ 191,994
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation and amortization expense	353,028	-	353,028
(Increase) Decrease in receivables	4,854	(859)	3,995
(Increase) Decrease in deferred outflows - pension	2,261	-	2,261
Increase (Decrease) in accounts payable	63,059	1,123	64,182
Increase (Decrease) in payroll withholdings	2,621	-	2,621
Increase (Decrease) in accrued wages	1,088	-	1,088
Increase (Decrease) in sales tax payable	-	16	16
Increase (Decrease) in customer deposits	9,869	-	9,869
Increase (Decrease) in unearned revenues	(8,027)	-	(8,027)
Increase (Decrease) in net pension liability	6,179	-	6,179
Increase (Decrease) in deferred inflows - pension	(12,303)	-	(12,303)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 592,129</b>	<b>\$ 22,774</b>	<b>\$ 614,903</b>
<b>Cash and Cash Equivalents, End of Year:</b>			
Unrestricted cash and cash equivalents per balance sheet	\$ 310,773	\$ 30,439	\$ 341,212
Restricted cash and cash equivalents	16,181,857	-	16,181,857
	<b>\$ 16,492,630</b>	<b>\$ 30,439</b>	<b>\$ 16,523,069</b>

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

**CITY OF ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Anahuac, Texas (the City), was incorporated on October 30, 1948, under the provisions of Title 28 of the Revised Civil Statutes of Texas, 1925. The City operates under a council-administrator form of government. The City Council is the principal legislative body of the City. The Mayor presides at meetings of the City Council and can only vote to break ties.

The City provides the following services: water, sewer, garbage, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by U.S. Generally Accepted Accounting Principles (GAAP), these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's government body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

**Discretely Presented Component Unit**

The Anahuac Municipal Development District (AMDD) is a component unit created by the City to levy and account for the collection of a sales and use tax at a rate of .5% for the purpose of financing economic development projects that provide economic benefit and diversify the economic base of the community. AMDD is a legally separate entity; however, the City can appoint or remove the governing directors. Financial data reported for AMDD is from its separately audited financial statements for the fiscal year ended December 31, 2017. AMDD financial statements may be obtained from: Anahuac Municipal Development District, 509 Washington Ave, Anahuac, Texas 77514.

**B. Financial Statement Presentation - Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all 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 the discretely presented component unit for which the primary government is financially accountable.



**CITY OF ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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 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. In the fund financial statements, the accounts of the City are organized on the basis of fund, 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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Description of the various funds follows.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance.

The City reports the following major governmental funds:

**General Fund** - The General Fund accounts for the resources used to finance the fundamental operations of the City. The principal sources of revenue include local property taxes, sales and franchise taxes, fines and forfeitures, licenses and permits, and other revenues. Expenditures are for general government, public safety, and public works.

**Debt Service Fund** - The Debt Service Fund is used to account for the payment of interest and principal on all general obligation bonds. The primary source of revenue for debt service is local property taxes.

**Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include cost of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

**Utility Fund** - The Utility Fund accounts for the operations related to providing water and sewer services to the residents. The fund also accounts for the accumulation of resources for the payment of long-term related debt.

**Sanitation Fund** - The Sanitation Fund is used to account for garbage collection services.

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**C. Measurement Focus and Basis of Accounting**

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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. 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. Tax revenues are considered available when collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. No encumbrances were outstanding at year-end.

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and money market accounts with original maturities of three months or less from the date of acquisition.

**F. Investments**

The City may invest in (1) obligations of the United States or its agencies, (2) obligations of the State of Texas or its agencies, (3) certificates of deposits, (4) repurchase agreements, and (5) authorized investment pools and funds. Investments are stated at fair value; however, investments with original maturities less than one year are recorded at amortized costs.

**G. Receivables**

Receivables are reported net of allowance for uncollectible accounts and revenues net of uncollectibles.

**H. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Interfund receivables and payables are eliminated in the government-wide financial statements as well as transfers between funds.

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**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$1,000 limit; all infrastructure is capitalized regardless of cost. 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	30-40 years
Building improvements	30-40 years
Public domain infrastructure	40 years
System infrastructure	7-50 years
Vehicles	5-7 years
Machinery and equipment	3-10 years
Computer equipment	3 years

**J. Compensated Employee Absences**

The City's employees earn vacation leave that may either be taken or accumulated, up to certain amounts, until paid upon termination or retirement. A liability for this amount is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

The City accrues vacation leave based on criteria established by GASB. For all funds, this liability reflects amount attributable to cumulative employee services previously rendered, where the payment is probable and can be reasonably estimated. For the current fiscal year, any liability is deemed immaterial.

**K. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2017 operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

**L. Long-term Obligations**

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental and business-type activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period as debt service expenses.

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In the fund financial statements, bond premiums (net of discounts) are recognized in the current period, and recorded as other financing sources. Issuance costs are recognized in the current period as debt service expenditures. The face amount of debt issued is reported as other financing sources; whereas bonds refunded during the period are recorded as other financing uses.

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, financial statements will include 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 City has two items that qualify for reporting in this category on the government-wide Statement of Net Position. Deferred charges have been recognized as a result of the difference between the projected and actual investment earning on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the financial statements 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 City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**N. Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered *Nonspendable* as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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- *Assigned* – includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Mayor or City Administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

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 has provided otherwise in its commitment or assignment actions.

**O. Net Position**

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- *Net position invested in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**P. Interfund Activity**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Q. Estimates**

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**S. Budgetary Information**

Annual budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general and debt service funds. All annual appropriations lapse at fiscal year end.

**2. DEPOSITS AND INVESTMENTS**

A summary of the City's cash and investments at September 30, 2017 is shown below:

	<u>Cash and Deposits</u>	<u>Escrow Account</u>	<u>Total Cash and Cash Equivalents</u>
Governmental funds:			
General fund	\$ 235,233	\$ -	\$ 235,233
Debt service fund	<u>227,380</u>	<u>-</u>	<u>227,380</u>
Total governmental funds	<u>462,613</u>	<u>-</u>	<u>462,613</u>
Proprietary funds:			
Utility fund	488,554	16,004,076	16,492,630
Sanitation fund	<u>30,439</u>	<u>-</u>	<u>30,439</u>
Total proprietary funds	<u>518,993</u>	<u>16,004,076</u>	<u>16,523,069</u>
	<u>\$ 981,606</u>	<u>\$ 16,004,076</u>	<u>\$ 16,985,682</u>

The following table includes investment type, portfolio balance, maturity, credit rating, and percentage of investment by portfolio balance:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>% Invested</u>
Cash and deposits	\$ 981,606	\$ 981,606	n/a	n/a	6%
Government money market fund	<u>16,004,076</u>	<u>16,004,076</u>	n/a	AAAm	<u>94%</u>
	<u>\$ 16,985,682</u>	<u>\$ 16,985,682</u>			<u>100%</u>

**Deposits**

The City's funds are required to be deposited and invested under the terms of depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2017, the net carrying amount of the City's cash and deposits was \$981,606 and the bank balance was \$1,003,876. At September 30, 2017, the City's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the Bank's agent in the City's name.

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**Money Market Fund - Escrow Account**

The City entered into an escrow agreement with BOKF, N.A. whereby net proceeds from Combination Tax and Surplus Certificates of Obligation Series 2017A and 2017B were deposited into an escrow account entitled “City of Anahuac, Certificates of Obligation, Texas Water Development Board L1000566 and L1000565 Escrow Account”. The escrow account is not subject to warrants, drafts or checks drawn by the City but shall be disbursed or withdrawn to pay the costs of the projects for which the certificates were issued or other purposes in accordance with the ordinances and solely upon written authorization from the Texas Water Development Board or designated representative.

The net proceeds in the escrow account maintained at BOKF, N.A. are invested in the Goldman Sachs Financial Square Treasury Fund (the Fund). The Fund pursues its investment objective by investing only in U.S. Treasury Obligations, which include securities issued or guaranteed by the U.S. Treasury where the payment of principal and interest is backed by the full faith and credit of the U.S. government. The Fund intends to be a “government money market fund”, as such term is defined in or interpreted under Rule 2a-7 under the Investment Company Act of 1940, as amended. “Government money market funds” are money market funds that invest at least 99.5% of their total assets in cash, securities issued or guarantee by the United States or certain U.S. government agencies or instrumentalities, and/or repurchase agreements that are collateralized fully by cash or U.S. Government Securities. “Government money market funds” are exempt from requirements that permit money market funds to impose a “liquidity fee” and/ or “redemption gate” that temporarily restricts redemptions. As a “government money market fund”, the Fund values its securities using the amortized cost method. The Fund seeks to maintain a stable net asset value of \$1.00 per share. Under Rule 2a-7, the Fund may invest only in U.S. dollar-denominated securities that meet certain risk-limiting conditions relating to portfolio quality, maturity, and liquidity.

**Custodial Credit Risk – Deposits**

For deposits, this is the risk that in the event of bank failure, the City’s deposits may not be returned to it. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of State and its municipalities and school districts. Collateral pledged to cover the City’s deposits is required to be held in the City’s name by the trust department of a bank other than the pledging bank (the City’s agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

All cash deposited to the credit of such escrow account(s) and any accrued interest in excess of the amounts insured by FDIC and remaining un-invested under the terms of the escrow agreement shall be continuously secured by a valid pledge of direct obligations of the United States or other collateral meeting the requirements of the Public Funds Collateral Act, Texas Government Code, Chapter 2257.

**Interest Rate Risk**

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation. At September 30, 2017, the City was not exposed to interest rate risk.

**Discretely Presented Component Unit**

At the balance sheet date, the carrying amount of the AMDD’s deposits (cash and investments) was \$432,846 and the bank balance was \$433,367. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by collateral held by the depository’s agent in the AMDD’s name.

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**Restricted Cash and Temporary Investments**

Certain proceeds of debt issuances, as well as certain resources set aside for their repayment, have been classified as restricted assets on the balance sheet because their use is limited. Restricted assets also include certain deposits that have been limited as to usage pursuant to escrow and similar agreements. As of September 30, 2017, the Utility Fund held restricted cash for the following purposes:

	<b>Cash</b>
Customer deposits	\$ 78,334
Construction (escrow account)	16,004,076
Construction	99,447
<b>Total</b>	<b>\$ 16,181,857</b>

**3. PROPERTY TAXES**

The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The City's property taxes are billed and collected by the Chambers County Tax Assessor/Collector. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the fiscal year 2017 was based, was \$65 million.

The tax rates assessed for the year ended September 30, 2017 to finance General Fund operations and the payment of principal and interest on long-term debt were \$.317555 and \$.370503 per \$100 valuation, respectively, for a total of \$.688058 per \$100 valuation.

Current tax collections for the year ended September 30, 2017, were 94% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 25% of outstanding property taxes receivable at September 30, 2017. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**4. RECEIVABLES**

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Utility</b>	<b>Sanitation</b>	
Property taxes	\$ 54,137	\$ 42,729	\$ -	\$ -	\$ 96,866
Receivables from governments	31,272	-	109,859	-	141,131
Other receivables	-	-	2,327	-	2,327
Accounts receivable - billed	-	-	227,534	34,338	261,872
Accounts receivable - unbilled	-	-	70,678	5,731	76,409
Gross receivables	85,409	42,729	410,398	40,069	578,605
Less: allowance for uncollectible accounts	(13,000)	(11,000)	(146,205)	(21,905)	(192,110)
Total receivables, net	\$ 72,409	\$ 31,729	\$ 264,193	\$ 18,164	\$ 386,495



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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property taxes:		
General fund	\$ 41,137	\$ -
Debt service fund	31,729	-
Overpaid customer accounts - Utility fund	-	5,617
Total unearned revenue	\$ 72,866	\$ 5,617

In August 2009, the State notified the City it had been overpaid sales and use tax totaling \$271,862. The State was recovering the repayment by deducting \$5,660 per month from the City's sales tax allocation through March 31, 2014. In October 2011, the City was informed of an additional overpayment of sales and use tax totaling \$26,664. Due to the additional overpayment, the recovery amount and schedule changed from \$5,660 per month through March 2014 to \$2,750 per month through November 2016. As of September 30, 2017, no overpayment balance was owed to the State.

**5. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2017:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 256,740	\$ -	\$ -	\$ -	\$ 256,740
Total capital assets, not being depreciated	256,740	-	-	-	256,740
Capital assets, being depreciated:					
Buildings	148,326	-	-	-	148,326
Infrastructure	14,089	-	-	-	14,089
Machinery and equipment	28,400	44,524	-	-	72,924
Total capital assets, being depreciated	190,815	44,524	-	-	235,339
Less accumulated depreciation for:					
Buildings	(126,445)	(723)	-	-	(127,168)
Infrastructure	(9,881)	(940)	-	-	(10,821)
Machinery and equipment	(28,400)	(4,790)	-	-	(33,190)
Total accumulated depreciation	(164,726)	(6,453)	-	-	(171,179)
Governmental activities capital assets, net	\$ 282,829	\$ 38,071	\$ -	\$ -	\$ 320,900

Depreciation was charged to governmental activities as follows:

General government	\$ 6,453
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 6,453</b>

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<b>Business-type Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Construction-in-progress	\$ 3,829,551	\$ 628,804	\$ -	\$ -	\$ 4,458,355
Total capital assets, not being depreciated	<u>3,829,551</u>	<u>628,804</u>	<u>-</u>	<u>-</u>	<u>4,458,355</u>
Capital assets, being depreciated:					
Buildings	546,186	-	-	-	546,186
Improvements other than buildings	13,077,628	-	-	-	13,077,628
Machinery and equipment	669,761	-	-	-	669,761
Total capital assets, being depreciated	<u>14,293,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,293,575</u>
Less accumulated depreciation for:					
Buildings	(510,828)	(3,546)	-	-	(514,374)
Improvements other than buildings	(4,267,260)	(320,421)	-	-	(4,587,681)
Machinery and equipment	(486,666)	(29,061)	-	-	(515,727)
Total accumulated depreciation	<u>(5,264,754)</u>	<u>(353,028)</u>	<u>-</u>	<u>-</u>	<u>(5,617,782)</u>
Business-type activities capital assets, net	<u>\$ 12,858,372</u>	<u>\$ 275,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,134,148</u>

Depreciation was charged to business-type activities as follows:

Utility fund	\$ 353,028
<b>Total Business-type Activities Depreciation Expense</b>	<u>\$ 353,028</u>

**6. LONG-TERM DEBT**

Long-term debt as of September 30, 2017 is as follows:

<b>Description</b>	<b>Interest Rate Payable</b>	<b>Maturity Date</b>	<b>Original Issue</b>
<b>Governmental Activities:</b>			
General obligation refunding bond, Series 2003	4.6%	2018	\$ 750,000
General obligation refunding bond, Series 2013	2.29%	2020	785,000
<b>Business-type Activities:</b>			
Combination tax and revenue certificates of obligation, Series 2004	1.2-3.25%	2018	700,000
Combination tax and revenue certificates of obligation, Series 2010	4.9%	2025	525,000
Combination tax and revenue certificates of obligation, Series 2013	3.45%	2033	4,000,000
Combination tax and surplus certificates of obligation, Series 2017A	.11%-2.83%	2047	5,175,000
Combination tax and surplus certificates of obligation, Series 2017B	.08%-2.53%	2047	<u>11,440,000</u>
			<u>\$ 23,375,000</u>

**Changes in Long-term Liabilities**

The following is a summary of changes in the City's total long-term liabilities for the year end September 30, 2017. In general, the City uses debt service funds to liquidate governmental long-term liabilities.

<b>Governmental Activities:</b>	<b>Balance Oct. 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Sept. 30, 2017</b>	<b>Amounts Due within One Year</b>
Bonds, notes, and other payables:					
General obligation bonds	\$ 649,000	\$ -	\$ 149,800	\$ 499,200	\$ 157,000
Capital lease obligations	-	28,193	6,960	21,233	6,852
<b>Total Governmental Activities</b>	<u>\$ 649,000</u>	<u>\$ 28,193</u>	<u>\$ 156,760</u>	<u>\$ 520,433</u>	<u>\$ 163,852</u>

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The City issued combination tax and revenue certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligations are direct obligations and pledge the full faith and credit of the City. The City uses a combination of debt service funds and water and sewer net revenues to liquidate business-type activity debt. The following is a summary of changes in the City's total business-type activity debt for the year ended September 30, 2017:

<b>Business-type Activities</b>	<b>Balance Oct. 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Sept. 30, 2017</b>	<b>Amounts Due within One Year</b>
Bonds, notes, and other payables:					
Certificates of obligation	\$ 4,267,900	\$ 16,615,000	\$ 241,000	\$ 20,641,900	\$ 247,000
Capital lease obligations	116,354	-	56,793	59,561	55,319
<b>Total Business-type Activities</b>	<b>\$ 4,384,254</b>	<b>\$ 16,615,000</b>	<b>\$ 297,793</b>	<b>\$ 20,701,461</b>	<b>\$ 302,319</b>

The Utility Fund (water and sewer system) has pledged future revenues, net of specified operating expenses, to repay its certificates of obligation. The certificates are payable from a combination of water and sewer revenues and property taxes through 2047. During fiscal year 2017, the Utility Fund provided \$390,054 toward payment of principal and interest. Principal and interest paid for the current year was \$390,054 and total water and sewer revenues were \$1,965,928.

City Council approved the issuance of \$1,385,000 of certificates, Series 2004, the proceeds of which will be used for water system improvements and surface water facility upgrades within the City. Bonds will be issued at various stages of the construction process in accordance with Texas Water Development Board requirements. As of September 30, 2017, certificates totaling \$700,000 have been issued.

The City filed applications with the Texas Water Development Board for financial assistance from the Clean Water State Revolving Fund to finance the planning, acquisition, design, and construction of certain wastewater system improvements. In May 2017, the City issued Combination Tax and Surplus Certificates of Obligation, Series 2017A totaling \$5,175,000. The certificates were issued at a cost of \$234,803. The certificates bear interest at the rate ranging from .11% to 2.83% and are due in annual installments ranging from \$105,000 to \$270,000 through October 15, 2047. Proceeds of the certificates will be used for (i) the construction and/or acquisition of improvements to and the repair and rehabilitation of the City's potable water system, including, without limitation, (a) the replacement and/or rehabilitation of distribution lines, (b) the replacement or rehabilitation of the existing elevated storage tank, (c) acquisition and installation of an emergency generator at the City's water plant, and (d) the acquisition and installation of a SCADA communications system; (ii) the costs of professional services incurred in connection with any of the foregoing; and (iii) the costs and expenses of issuing the certificates.

In May 2017, the City also issued Combination Tax and Surplus Certificates of Obligation, Series 2017B totaling \$11,440,000. The certificates were issued at a cost of \$399,375. The certificates bear interest at the rate ranging from .08% to 2.53% and are due in annual installments ranging from \$230,000 to \$555,000 through October 15, 2047. Proceeds of the certificates will be used for (i) the construction and acquisition of improvements to and the repair and rehabilitation of the City's wastewater treatment plant and sanitary sewer system, including, without limitation, (a) the replacement and/or rehabilitation of sanitary sewer lines, (b) the replacement or rehabilitation lift stations, (c) various improvements to the City's existing wastewater treatment plant, and (d) the purchase of necessary equipment for sanitary sewer collection and wastewater treatment system maintenance; (ii) the costs of professional services incurred in connection with any of the foregoing; and (iii) the costs and expenses of issuing the certificates.

**CITY OF ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

Annual debt service requirements to maturity for certificates of obligation and refunding bonds, including interest, are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
<b>September 30,</b>					
2018	\$ 157,000	\$ 12,952	\$ 247,000	\$ 473,076	\$ 890,028
2019	169,000	7,854	582,000	483,657	1,242,511
2020	173,200	3,984	578,000	474,325	1,229,509
2021	-	-	579,000	464,268	1,043,268
2022	-	-	590,000	454,261	1,044,261
2023-2027	-	-	3,145,000	2,082,687	5,227,687
2028-2032	-	-	3,541,000	1,694,026	5,235,026
2033-2037	-	-	3,374,900	1,232,592	4,607,492
2038-2042	-	-	3,360,000	823,651	4,183,651
2043-2047	-	-	3,820,000	362,667	4,182,667
2048	-	-	825,000	10,841	835,841
	<u>\$ 499,200</u>	<u>\$ 24,790</u>	<u>\$ 20,641,900</u>	<u>\$ 8,556,051</u>	<u>\$ 29,721,941</u>

In May 2013, the City entered into a lease-purchase agreement for the acquisition and installation of AMR system and meters. The agreement gives the City the option to purchase the equipment in fiscal year 2016. The total cost of the system is \$228,980 and has been reported as a capital asset. Annual payments of \$52,442 began February 1, 2014 and end February 1, 2018 at an interest rate of 2.76%.

In April 2014, the City entered into a lease-purchase agreement for the acquisition of equipment. The agreement gives the City the option to purchase the equipment upon thirty days written notice. The total cost is \$30,005 and has been reported as a capital asset. Monthly payments of \$546 began May 1, 2014 and end April 1, 2019 at an interest rate of 3.5%.

In August 2016, the City entered into a lease-purchase agreement for the acquisition of equipment. The agreement gives the City the option to purchase the equipment upon thirty days written notice. The total cost is \$28,193 and has been reported as a capital asset. Monthly payments of \$665 began October 15, 2016 and end August 15, 2020 at an interest rate of 6.2%.

Future minimum lease payments for the City's business-type activities under capital leases are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
<b>September 30,</b>					
2018	\$ 6,852	\$ 1,125	\$ 56,319	\$ 1,653	\$ 65,949
2019	7,290	688	3,242	33	11,253
2020	7,091	222	-	-	7,313
	<u>\$ 21,233</u>	<u>\$ 2,035</u>	<u>\$ 59,561</u>	<u>\$ 1,686</u>	<u>\$ 84,515</u>

**CITY OF ANAHUAC, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**7. INTERFUND TRANSACTIONS**

The following is a summary of interfund balances as of September 30, 2017:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General fund:		
Utility fund	\$ -	\$ 380
Utility fund:		
General fund	380	-
Sanitation fund	.	23,453
Sanitation fund:		
Utility fund	<u>23,453</u>	<u>-</u>
	<u>\$ 23,833</u>	<u>\$ 23,833</u>

For the year ended September 30, 2017, interfund transfers consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Debt service fund	\$ 50,000
Debt service fund	Utility fund	16,053
Utility fund	General fund	9,762

The General Fund transferred \$50,000 to the Debt Service Fund and the Debt Service Fund transferred \$16,053 to the Utility Fund toward payment of its debt service requirements. In addition, the Utility Fund transferred \$9,762 to reimburse the General Fund for payroll related activities.

**8. EMPLOYEE RETIREMENT PLAN**

**Texas Municipal Retirement System**

*Plan Description*

The City 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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

**CITY OF ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2017	2016
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

***Employees Covered by Benefit Terms***

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	5
Inactive employees entitled to but not yet receiving benefits	15
Active employees	5
<b>Total</b>	<b>25</b>

***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 were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.53% and 6.36 in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$16,421, 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	2.50% per year
Overall payroll growth	2.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality 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 an additional factor of 92.0%. 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 males 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

**CITY OF ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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.

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 asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
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 ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 830,286	\$ 804,236	\$ 26,050
Changes for the year:			
Service cost	19,095	-	19,095
Interest	54,816	-	54,816
Difference between expected and actual experience	17,208	-	17,208
Contributions - employer	-	15,101	(15,101)
Contributions - employee	-	8,719	(8,719)
Net investment income	-	54,215	(54,215)
Benefit payments, including refunds of employee contributions	(55,485)	(55,485)	-
Administrative expense	-	(614)	614
Other changes	-	(33)	33
Net changes	35,634	21,903	13,731
<b>Balance at 12/31/2016</b>	<b>\$ 865,920</b>	<b>\$ 826,139</b>	<b>\$ 39,781</b>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 165,331	\$ 39,781	\$ (61,840)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

***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 income \$3,853.

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 of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 2,615
Changes in actuarial assumptions	2,024	-
Difference between projected and actual investment earnings	39,247	-
Contributions subsequent to the measurement date	12,475	-
<b>Total</b>	<b>\$ 53,746</b>	<b>\$ 2,615</b>

\$12,475 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.



**CITY OF ANAHUAC, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Pension</u> <u>Expense</u>
2018	\$ 12,923
2019	14,021
2020	11,697
2021	15
	<u>\$ 38,656</u>

**9. OTHER POST EMPLOYEMNT BENEFITS**

**TMRS Supplemental Death Benefits Fund**

*Plan Description*

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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.

*Contributions*

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 \$456, \$526, and \$473, respectively, which equaled the required contributions each year.

**10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City participates with other municipal entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements, which exceeded the coverage amounts for the past three fiscal years. The City had no material unpaid claims liabilities at the end of the current or prior year.

**11. GAS DISTRIBUTION SYSTEM CONTRACT**

On May 1, 1999, the City’s citizens voted to have the City sell its natural gas distribution system to Reliant Energy Entex, now CenterPoint Energy. The contract requires CenterPoint Energy to pay a three percent franchise fee to the City. Additionally, CenterPoint Energy has to provide service to the City through 2024.

**CITY OF ANAHUAC, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**12. COMMITMENTS AND CONTINGENCIES**

At September 30, 2017, the City had commitments under construction contracts totaling approximately \$2.7 million.

The City participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**13. SUBSEQUENT EVENTS**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through August 16, 2018, the date that the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF ANAHUAC, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Property taxes	\$ 207,000	\$ 207,000	\$ 209,740	\$ 2,740
Sales taxes	185,000	185,000	188,106	3,106
Franchise taxes	97,400	97,400	98,197	797
Licenses and permits	39,250	39,250	51,013	11,763
Fees & fines	1,800	1,800	2,904	1,104
Investment earnings	3,300	3,300	2,952	(348)
Miscellaneous	5,000	5,000	54,363	49,363
<b>Total Revenues</b>	<u>538,750</u>	<u>538,750</u>	<u>607,275</u>	<u>68,525</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	496,105	496,105	542,661	(46,556)
Public safety	18,000	18,000	18,000	-
Public works	20,000	20,000	21,377	(1,377)
<b>Debt Service:</b>				
Principal on long-term debt	7,977	7,977	6,960	1,017
Interest and fiscal agent fees	-	-	1,682	(1,682)
<b>Total Expenditures</b>	<u>542,082</u>	<u>542,082</u>	<u>590,680</u>	<u>(48,598)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>(3,332)</u>	<u>(3,332)</u>	<u>16,595</u>	<u>19,927</u>
<b><u>Other Financing (Uses)</u></b>				
Transfers in	-	-	9,762	9,762
Proceeds from capital leases	-	-	28,193	28,193
Transfers (out)	(50,000)	(50,000)	(50,000)	-
<b>Total Other Financing (Uses)</b>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(12,045)</u>	<u>37,955</u>
<b>Net Change in Fund Balances</b>	(53,332)	(53,332)	4,550	57,882
<b>Fund balances - Beginning</b>	<u>222,330</u>	<u>222,330</u>	<u>222,330</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 168,998</u>	<u>\$ 168,998</u>	<u>\$ 226,880</u>	<u>\$ 57,882</u>

See Notes to Required Supplementary Information.

**CITY OF ANAHUAC, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Budgets and Budgetary Accounting**

Annual appropriated budgets are adopted for the General, Debt Service, and Proprietary Funds on a basis consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City, the City Administrator prepares an annual budget for the General, Debt Service, and Enterprise Funds for the ensuing fiscal year, in a form and style as deemed desirable by Council. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

For the fiscal year ended September 30, 2017, the general fund expenditures exceeded its appropriations in the following functions:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General government	\$ 496,105	\$ 542,661	\$ (46,556)
Public works	\$ 20,000	\$ 21,377	\$ (1,377)
Debt service	\$ 7,977	\$ 8,642	\$ (665)

**CITY OF ANAHUAC, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**- TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2017**

**D-2**

	Measurement Date	Measurement Date	Measurement Date
	12/31/2014	12/31/2015	12/31/2016
<b>A. Total pension liability</b>			
1. Service cost	\$ 37,655	\$ 23,867	\$ 19,095
2. Interest (on the Total Pension Liability)	60,304	59,577	54,816
3. Changes in benefit terms	-	-	-
4. Difference between expected and actual experience	(42,391)	(77,174)	17,208
5. Changes in assumptions	-	22,254	-
6. Benefit payments, including refunds of employee contributions	(43,308)	(74,810)	(55,485)
7. Net change in total pension liability	12,260	(46,286)	35,634
8. Total pension liability - beginning	864,312	876,572	830,286
9. Total pension liability - ending	<u>\$ 876,572</u>	<u>\$ 830,286</u>	<u>\$ 865,920</u>
<b>B. Plan fiduciary net position</b>			
1. Contributions - employer	\$ 25,323	\$ 16,570	\$ 15,101
2. Contributions - employee	16,443	9,501	8,719
3. Net investment income	46,236	1,258	54,215
4. Benefit payments, including refunds of employee contributions	(43,308)	(74,810)	(55,485)
5. Administrative expense	(483)	(766)	(614)
6. Other	(40)	(38)	(33)
7. Net change in plan fiduciary net position	44,171	(48,285)	21,903
8. Total fiduciary net position - beginning	808,350	852,521	804,236
9. Total fiduciary net position - ending	<u>\$ 852,521</u>	<u>\$ 804,236</u>	<u>\$ 826,139</u>
<b>C. Net pension liability [A.9. - B.9.]</b>	<u>\$ 24,051</u>	<u>\$ 26,050</u>	<u>\$ 39,781</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability [B.9. / A.9.]</b>	97.26%	96.86%	95.41%
<b>E. Covered-employee payroll</b>	\$ 328,868	\$ 193,697	\$ 174,379
<b>F. Net pension liability as a percentage of covered employee payroll [C / E]</b>	7.31%	13.45%	22.81%

\* GASB 68 requires 10 fiscal years of data to be presented; however, this is the first year of implementation. Subsequent data to be accumulated over the next eight fiscal years to comply with GASB 68.

**CITY OF ANAHUAC, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SEPTEMBER 30, 2017**

**D-3**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 17,763	\$ 15,923	\$ 15,840
Contributions in relation to the actuarially determined contributions	<u>(17,752)</u>	<u>(16,624)</u>	<u>(16,421)</u>
Contributions deficiency (excess)	<u>\$ 11</u>	<u>\$ (701)</u>	<u>\$ (581)</u>
Covered employee payroll	\$ 211,789	\$ 185,522	\$ 233,609
Contributions as a percentage of covered employee payroll	8.38%	8.96%	7.03%

\* GASB 68 requires 10 fiscal years of data to be presented. Subsequent data to be accumulated over the next seven fiscal years to comply with GASB 68.



## **OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF ANAHUAC, TEXAS  
SCHEDULE OF LONG-TERM DEBT  
YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year	Governmental Activities												Total Governmental Activities Debt Service Obligations		
	General Obligation Refunding Bonds, Series 2003			General Obligation Refunding Bonds, Series 2013			Capital Lease Obligations								
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2018	\$ 65,000	\$ 2,990	\$ 67,990	\$ 92,000	\$ 9,962	\$ 101,962	\$ -	\$ -	\$ -	\$ 6,852	\$ 1,125	\$ 7,977	\$ 163,852	\$ 14,077	\$ 177,929
2019	-	-	-	169,000	7,854	176,854	-	-	-	7,290	688	7,978	176,290	8,542	184,832
2020	-	-	-	173,200	3,984	177,184	-	-	-	7,091	222	7,313	180,291	4,206	184,497
	\$ 65,000	\$ 2,990	\$ 67,990	\$ 434,200	\$ 21,800	\$ 456,000	\$ -	\$ -	\$ -	\$ 21,233	\$ 2,035	\$ 23,268	\$ 520,433	\$ 26,825	\$ 547,258

  

Fiscal Year	Business-type Activities												Total Business-type Activities Debt Service Obligations								
	Certificates of Obligation Tax and Revenue Bonds, Series 2004			Combination Tax and Revenue Certificates of Obligation, Series 2010			Combination Tax and Revenue Certificates of Obligation, Series 2013			Combination Tax and Surplus Certificates of Obligation, Series 2017A						Combination Tax and Surplus Certificates of Obligation, Series 2017B			Capital Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total				Principal	Interest	Total	Principal	Interest	Total
2018	\$ 55,000	\$ 4,417	\$ 59,417	\$ 35,000	\$ 15,925	\$ 50,925	\$ 157,000	\$ 120,181	\$ 277,181	\$ -	\$ 112,208	\$ 112,208	\$ -	\$ 220,345	\$ 220,345	\$ 56,319	\$ 1,653	\$ 57,972	\$ 303,319	\$ 474,729	\$ 778,048
2019	50,000	2,713	52,713	35,000	14,210	49,210	162,000	114,678	276,678	105,000	118,750	223,750	230,000	233,306	463,306	3,242	33	3,275	585,242	483,690	1,068,932
2020	35,000	1,137	36,137	40,000	12,495	52,495	168,000	108,986	276,986	105,000	118,493	223,493	230,000	233,214	463,214	-	-	-	578,000	474,325	1,052,325
2021	-	-	-	40,000	10,535	50,535	174,000	103,086	277,086	135,000	117,882	252,882	230,000	232,765	462,765	-	-	-	579,000	464,268	1,043,268
2022	-	-	-	40,000	8,575	48,575	180,000	96,979	276,979	140,000	116,896	256,896	230,000	231,811	461,811	-	-	-	590,000	454,261	1,044,261
2023	-	-	-	45,000	6,615	51,615	186,000	90,666	276,666	140,000	115,601	255,601	230,000	230,373	460,373	-	-	-	601,000	443,255	1,044,255
2024	-	-	-	45,000	4,410	49,410	193,000	84,128	277,128	145,000	113,981	258,981	230,000	228,453	458,453	-	-	-	613,000	430,972	1,043,972
2025	-	-	-	45,000	2,205	47,205	200,000	77,349	277,349	150,000	111,987	261,987	230,000	226,038	456,038	-	-	-	625,000	417,579	1,042,579
2026	-	-	-	-	-	-	207,000	70,328	277,328	205,000	109,160	314,160	230,000	223,105	453,105	-	-	-	642,000	402,593	1,044,593
2027	-	-	-	-	-	-	214,000	63,066	277,066	105,000	106,441	211,441	345,000	218,781	563,781	-	-	-	664,000	388,288	1,052,288
2028	-	-	-	-	-	-	221,000	55,562	276,562	105,000	104,398	209,398	350,000	213,063	563,063	-	-	-	676,000	373,023	1,049,023
2029	-	-	-	-	-	-	229,000	47,800	276,800	105,000	102,225	207,225	355,000	206,823	561,823	-	-	-	689,000	356,848	1,045,848
2030	-	-	-	-	-	-	237,000	39,761	276,761	105,000	99,936	204,936	365,000	200,052	565,052	-	-	-	707,000	339,749	1,046,749
2031	-	-	-	-	-	-	245,000	31,447	276,447	110,000	97,483	207,483	370,000	192,775	562,775	-	-	-	725,000	321,705	1,046,705
2032	-	-	-	-	-	-	254,000	22,839	276,839	110,000	94,871	204,871	380,000	184,991	564,991	-	-	-	744,000	302,701	1,046,701
2033	-	-	-	-	-	-	263,000	13,921	276,921	115,000	92,103	207,103	385,000	176,728	561,728	-	-	-	763,000	282,752	1,045,752
2034	-	-	-	-	-	-	271,900	4,692	276,592	115,000	89,193	204,193	395,000	168,030	563,030	-	-	-	781,900	261,915	1,043,815
2035	-	-	-	-	-	-	-	-	-	190,000	85,242	275,242	405,000	158,888	563,888	-	-	-	595,000	244,130	839,130
2036	-	-	-	-	-	-	-	-	-	195,000	80,178	275,178	415,000	149,334	564,334	-	-	-	610,000	229,512	839,512
2037	-	-	-	-	-	-	-	-	-	200,000	74,904	274,904	425,000	139,379	564,379	-	-	-	625,000	214,283	839,283
2038	-	-	-	-	-	-	-	-	-	205,000	69,416	274,416	435,000	129,015	564,015	-	-	-	640,000	198,431	838,431
2039	-	-	-	-	-	-	-	-	-	210,000	63,741	273,741	445,000	118,301	563,301	-	-	-	655,000	182,042	837,042
2040	-	-	-	-	-	-	-	-	-	215,000	57,908	272,908	455,000	107,298	562,298	-	-	-	670,000	165,206	835,206
2041	-	-	-	-	-	-	-	-	-	220,000	51,915	271,915	465,000	96,005	561,005	-	-	-	685,000	147,920	832,920
2042	-	-	-	-	-	-	-	-	-	230,000	45,694	275,694	480,000	84,358	564,358	-	-	-	710,000	130,052	840,052
2043	-	-	-	-	-	-	-	-	-	235,000	39,242	274,242	490,000	72,354	562,354	-	-	-	725,000	111,596	836,596
2044	-	-	-	-	-	-	-	-	-	240,000	32,627	272,627	500,000	60,053	560,053	-	-	-	740,000	92,680	832,680
2045	-	-	-	-	-	-	-	-	-	250,000	25,779	275,779	515,000	47,390	562,390	-	-	-	765,000	73,169	838,169
2046	-	-	-	-	-	-	-	-	-	255,000	18,697	273,697	530,000	34,301	564,301	-	-	-	785,000	52,998	837,998
2047	-	-	-	-	-	-	-	-	-	265,000	11,378	276,378	540,000	20,846	560,846	-	-	-	805,000	32,224	837,224
2048	-	-	-	-	-	-	-	-	-	270,000	3,820	273,820	555,000	7,021	562,021	-	-	-	825,000	10,841	835,841
	\$ 140,000	\$ 8,267	\$ 148,267	\$ 325,000	\$ 74,970	\$ 399,970	\$ 3,561,900	\$ 1,145,469	\$ 4,707,369	\$ 5,175,000	\$ 2,482,149	\$ 7,657,149	\$ 11,440,000	\$ 4,845,196	\$ 16,285,196	\$ 59,561	\$ 1,686	\$ 61,247	\$ 20,701,461	\$ 8,557,737	\$ 29,259,198

**CITY OF ANAHUAC, TEXAS**  
**SCHEDULE OF SERVICES AND RATES**  
**YEAR ENDED SEPTEMBER 30, 2017**  
**(UNAUDITED)**

**1. Services provided by the City during the Fiscal Year:**

<input checked="" type="checkbox"/>	Retail Water	<input type="checkbox"/>	Wholesale Water	<input type="checkbox"/>	Drainage
<input checked="" type="checkbox"/>	Retail Wastewater	<input type="checkbox"/>	Wholesale Sewer	<input type="checkbox"/>	Irrigation
<input type="checkbox"/>	Parks/Recreation	<input type="checkbox"/>	Fire Protection	<input type="checkbox"/>	Security
<input checked="" type="checkbox"/>	Solid Waste/Garbage	<input type="checkbox"/>	Flood Control	<input type="checkbox"/>	Roads
<input type="checkbox"/>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<input type="checkbox"/>	Other (specify): _____				

**2. Retail Service Providers**

**a. Retail rates based on 5/8" meter (or equivalent)**

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum Use	Usage Levels
WATER	\$ 6.50	1,000	N	Various	No limit
WASTEWATER	\$ 6.50	1,000	N	Various	No limit
SURCHARGE	\$ 75.00		Y	Various	

City employs winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage: Water: \$ 142.50 Wastewater: \$ 142.50

**b. Water and Wastewater Retail Connections:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered				
≤ 3/4"	910	885	x 1.0	885
1"	14	14	x 2.5	35
1 1/2"	4	4	x 5.0	20
2"	14	14	x 8.0	112
3"			x 15.0	
4"	3	3	x 25.0	75
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	945	920		1,127
Total Wastewater	942	917	x 1.0	917

**3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):**

Gallons pumped into system: 68,211,118 Water Accountability Ratio: (Gallons billed / Gallons pumped)

Gallons billed to customers: 52,887,512 78%