

# CITY OF LOS FRESNOS, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
September 30, 2018

**Prepared by:**


*City of Los Fresnos, Texas  
Finance Department  
Pablo A. Garza,  
Finance Director*



**CRI** CARR  
RIGGS &  
INGRAM

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**City of Los Fresnos, Texas  
City Officials  
September 30, 2018**

Mayor

Hipolito "Polo" Narvaez

Mayor Pro-tem

Yolanda H. Cruz

Council Members

Bibi Garza  
Juan Munoz  
Swain Real  
Javier Mendez

City Manager

Mark W. Milum

Finance Director

Pablo A. Garza

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**INTRODUCTORY SECTION**





April 10, 2019

To the Honorable Mayor, Mayor Pro Tem, Members of the Governing Council, and Citizens of the City of Los Fresnos:

We are pleased to submit to you the 2018 Comprehensive Annual Financial Report (CAFR) of the City of Los Fresnos, Texas. The report was prepared by the Finance Director and City Manager. The combined financial statements and related notes have been audited by the independent firm of Certified Public Accountants, Carr, Riggs & Ingram, LLC, whose reports are included herein. The audit satisfies Article III H. Section 3.13 of the City Charter, which requires an annual audit of all accounts of the City by an independent Certified Public Accountant. A single audit for Federal awards received by the City directly from Federal agencies or passed through by the State of Texas or other governmental entities during the Fiscal year 2018 was not required under the provisions of the Single Act of 1996.

This report contains management's representations concerning the finances of the City of Los Fresnos; consequently, management assumes full responsibility for the completeness and reliability of all of the information contained in this report. To provide a reasonable basis for making these representations, management of the City of Los Fresnos has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Los Fresnos' financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. Furthermore, we believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

GASB Statement No. 34, entitled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of management discussion and analysis (MD&A).

The letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

## ***Profile of the City of Los Fresnos***

The City of Los Fresnos, incorporated in 1945, is located in south central Cameron County in the Lower Rio Grande Valley of South Texas. One of Los Fresnos' strengths is its location, as it is located in the center of Cameron County with a major tourist destination just a few miles to the east, larger cities to the south and northwest providing big city needs just down the road while enjoying the quality of life a small but vibrant city brings to its citizens. According to the census data at [www.census.gov](http://www.census.gov), Los Fresnos currently serves an estimated population of 7,830. The City of Los Fresnos is empowered to levy a property tax on both real and personal property located within its boundaries. The official boundaries and limits of the City of Los Fresnos shall be established and fixed from time to time by ordinance in accordance with provisions of the Charter and the laws of Texas. It is empowered by state statute to extend its limits by annexation, which it has done from time to time according to the City Charter.

The City of Los Fresnos operates under the council-manager form of government. Policy-making and legislative authority are vested in the governing City Council, which is composed of a Mayor and five Council Persons, nominated and elected in the manner provided by the Charter. Each elected council member serves for a term of three years. The Council appoints the City Manager, who in turn appoints the heads of various departments.

This City of Los Fresnos provides a full range of services, including police, fire and ambulance services, streets, drainage, sanitation, health services, recreational and cultural activities, planning and zoning, and administrative services. The City also provides water and wastewater services.

The Council is required to adopt a final budget by no later than the close of the prior fiscal year. The annual budget serves as the foundation for the City of Los Fresnos' financial planning and control. The budget is prepared by fund, function, and department. Department heads may transfer funds within a department as they see fit. Transfers between departments, however, need approval from the governing council.

### ***Local Economy***

Major businesses located within the government boundaries or in close proximity include services, retail, finance, construction, and government. According to the 2018 Census, approximately 58.5% of 16 years or older population were in the civilian labor force in Los Fresnos compared to 55.2% in Cameron County. In 2018, the unemployment rate for Cameron County was 6.0%, which is higher than the 4% unemployment rate in Texas. Unemployment rates for Los Fresnos are not available at the local level due to Los Fresnos being too small. Employment patterns show significantly higher unemployment rates in Cameron County Workforce Development Area as compared to state and nationwide. During the last three years, Cameron County's unemployment rate has improved from 7% reported in 2015, to 6.0% as of September 30, 2018.

### ***Long-term Financial Planning***

Unassigned, fund balance in the general fund at year end was 34.0 percent of total general fund expenditures and equivalent to 121 days of expenditures. This amount was slightly higher than the internal policy set by the City Manager for budgetary and planning purposes (i.e., three months of general fund expenditures, approximately 25%).

Engineering studies, pass through grants, and loans continue for our entire water and wastewater system to determine the immediate and long term needs for the next 20 years.

As part of the strategic plan, the City has purchased 23 acres of property to create a Nature Park. The creation of a Nature Park will serve local and non-local populations of all age groups. Grant funding in the amount of \$1,560,343 has been secured for this project. Grant funding has been utilized for the first phase two (2) phases of the project. The Nature Park includes walking trails, benches, water fountains, parking, bird watching, exercise stations, and public restrooms. This project started at the end of 2012 and should complete Phase 3 in 2019 using available funding.

The City also plans to add neighborhood parks in the southwest and southeast sides of town. These neighborhood parks are normally placed on one City lot and include small playgrounds. They are available to the surrounding neighborhoods and easily accessible. The City acquired a piece of property in the southwest side of town that served as an initial stage on applying for grant funding thru the Texas Parks and Wildlife. The new Monte Castro Park has now been completed with a cost of \$188,684 that includes \$75,000 of grant funds.

The City has also received 2 grants for \$700,000 for a portion of hike and bike trails that will encompass the City. The hike and bike trail will allow a safe route to most major areas in the City. This hike and bike trail will assist those citizens who want to become active or maintain the activity by providing a safe atmosphere to exercise. This project should be complete in 2019.

The City issued Certificates of Obligations (CO's) to purchase land and architectural design for a new City Hall. The CO's also include Evergreen Street project, Lopez Lift Station, water loop and engineering for wastewater extensions. The City has also added Veterans Memorial Drive and City Hall drainage improvements as part of these projects. The City has made a final determination on building a new City Hall and upgrade the existing City Hall and Police Department to be total utilized by the Police Department. As part of the new issuance the City allocated \$3,500,000 for the construction of the City Hall which is now 24% complete. Construction began on 2018 and expected to be completed by 2019.

The City is exploring options to utilize TIRZ funds to upgrade Resaca crossings on Henderson Road as well as repair streets city wide for approximately \$2,000,000. These projects are under design. The City has partnered with CCRMA to complete design engineering work to widen and improve Whipple Road. Federal, State and Local Funds are being allocated and utilized to complete this project.

### ***Major Initiatives***

The City has a number of significant initiatives underway and recently completed, as described below. These initiatives should have a positive effect on the City's economic health and services to residents and business.

### ***Economic Growth and Planning Initiatives***

Many of the City's accomplishments in 2018 assist in the achievement of the vision of being a community with opportunity.

### ***Environment and Quality of Life***

The Police Department (PD) continues to be first class in serving our residents. First and foremost is accomplishing this by providing our employees with the necessary tools. Training is a top priority with officers training for in excess of required hours. Los Fresnos continually lobbies for funds for small cities that are available but usually go to larger cities. The Police Department was awarded several grants including Stone Garden Grant and Border Star Grant for drug interdiction along the major roadways throughout the City. During 2018 the department acquired a shooting simulator thru an interlocal agreement, two (2) vehicles, two (2) ATV's (All Terrain Vehicles) and a recording system. In addition, the department oversees the Code and Health Department which inspects all restaurants and food serving facilities thorough the City. This ensures that Citizens and visitors consume safe food products within our City Limits. Dog kennel upgrades were completed to properly care for the animals that are left unattended including air conditioning and heating.

Code and Health takes care of ordinance violations including high grass areas that attract unwanted rodents. The Police Department is highly involved in the Community. The department continues to work closely with Los Fresnos C.I.S.D. by providing presentations on drug awareness and career day to students of the school district. The City provides communications, and assists the LFCISD police department with other school sponsored events. We believe that these accomplishments not only make this community a safer place to work and live but, also reflect that this community is willing to assist other communities in case of need.

The Library serves a population area of over 32,000. The Library circulated over 25,000 print and non-print materials. It has a collection of 45,550 items which includes extensive DVD and Electronic book collections. The main target audience continues to be children. There are daily activities for children which include weekly outreach visits to the area daycare and Head Start facilities. Children at these facilities benefit from weekly visits by the Children's Librarian which provides free books, book readings, and educational activities. The library hosts English as a Second Language (ESL) as well as computer literacy classes. There is an average attendance of 28 students to each class which meet Mondays and Wednesdays September to May. The 2018 Summer Reading Program was a great success with over 600 children in attendance. The programs consisted of children reading over 2,500 books. We coordinated with the LFCISD that allowed students to test on the books they read during the summer. Patron access to computer are in high demand at the Library with 18 computers in use and over 25,600 sessions averaging over 1 hour each. We continue to look for alternatives to accessing the web by over 5,800 hours on our free Wi-Fi connection. The Library served as a Site Coordinator for Volunteer Income Tax Assistance collaborating with Cameron County United Way and Los Fresnos CISD to prepare tax returns. A total of 325 tax returns were filed through this program with refunds totaling over \$845,483. These refunds bring in more revenue to our community. The Library has once again been awarded for the E-Rate Grant Federal funding in the amount of \$8,586. These funds are not directly received by the City but are used to cover internet connectivity (high speed fiber connection).

The Public Works Department is always working in the background. Water and wastewater services are expected but takes much work to provide. Our water continues to be of high quality and very reasonable. Sewer rates are also very reasonable. The Public Works Department works daily with upkeep at both parks, the City Hall, Police Department, Community Center, Library, Water Plant, Sewer Plant, streets, alleys, signs, right-of-ways and much more. The City received TxCDBG funds for street drainage improvements. Additionally, sludge drying beds are being added at the wastewater treatment plant. A fence is being installed around the perimeter of the water treatment plant and wastewater treatment plant. The plan to update the water treatment plant continues to be work in progress.

Emergency Management is always very critical. It is an area no one thinks about until times of need. Los Fresnos is fortunate to have individuals dedicated to planning and training to meet different kinds of emergencies. The Emergency Management team is comprised of the entire City staff as well as the Los Fresnos Fire Department and the Los Fresnos Ambulance Service. This has proved valuable with hurricanes, tropical storms and flooding events as well as normal emergency calls for service from the police, fire and medical service over the last years. All of the local events that occur are planned using the same type of management that is utilized during emergency situations. The Fire Department and Ambulance Service has now completed a new 32,000 sq.ft. facility to better serve our resident needs and provide for future services for many years to come.

Information Technology (IT) is up to date and running efficiently. Our City runs primarily on technology so this position plays a vital role in maintaining communication throughout the City during daily activities and especially during emergencies. Information Technology is important to keep our technology up to date and efficiently maintained so there will be limited or no downtime. In addition, a program has been put into place to continually upgrade technology with 20% each year for a 5-year cycle. Information Technology configured and installed a new domain, exchange server, and CAD/RMS system for PD. In addition, IT Installed and configured a new firewall, a new anti-spam Barracuda system for EMAIL, and new backup system.

The City is a strong advocate for creating a healthy environment that enhances the quality of life. The City continues its funding for the Community Health Outreach Program. This funding includes an employee, training, supplies and equipment. The program promotes physical activity and healthy eating habits. Through this program, the City provides free exercise classes, health screenings, as well as nutrition classes, such as Diabetes Prevention Program and The Happy Kitchen. Upgrades at the parks continues with general maintenance to the basketball court, playground equipment and exercise stations. The City has also added the Nature Park equipped with exercise stations and a hike and bike trail. An additional hike and bike trail is currently under plan and will further encourage an active community. The City facilitates an annual triathlon event that promotes physical activity and stimulates the local economy.

The City assists in routing and manning many different City events through our community. This year the City operated the pool and swimming program almost year round for open swimming including swimming lessons. The City partnered with the school district to be able to have supervised gym time activities during the evenings.

The Community Development Corporation (CDC) has continued the Business Incentive Grants program to assist local business in paying for signs, landscaping and storefront improvements. These businesses include restaurants, industrial supplies, and Citizens services.

The CDC also supports several of the City events throughout the year such as:

- Los Fresnos PRCA Rodeo
- Cameron County Fair and Livestock Show
- Halloween Carnival
- 4th of July Celebration
- Boots on Ground Veterans Memorial Mud Run
- Christmas Festival in the Park with Santa Clause

In keeping with improving the quality of life, the City supports many annual events such as:

- Los Fresnos PRCA Rodeo
- Los Fresnos Rodeo Parade
- Cameron County Fair and Livestock Show
- Boys and Girls Club
- Halloween Carnival
- 4th of July Celebration
- Boots on Ground Veterans Memorial Mud Run
- Homecoming Parade
- Christmas Parade
- Christmas Festival in the Park with Santa Claus
- Annual Leo Aguilar 5K Walk/Run and Health Fair
- Chamber of Commerce

All of the events listed bring the community together and strive to achieve an environment with a sense of safety and family unity.

### ***Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the City of Los Fresnos for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2017. This was the tenth consecutive year that the City achieved this prestigious award since 2008. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

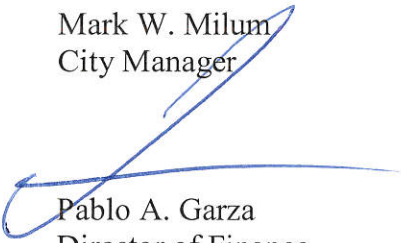
The preparation of this report would not be possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Finally, we acknowledge the Mayor and Council members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

Respectfully,



Mark W. Milum  
City Manager



Pablo A. Garza  
Director of Finance



Government Finance Officers Association

**Certificate of  
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**City of Los Fresnos  
Texas**

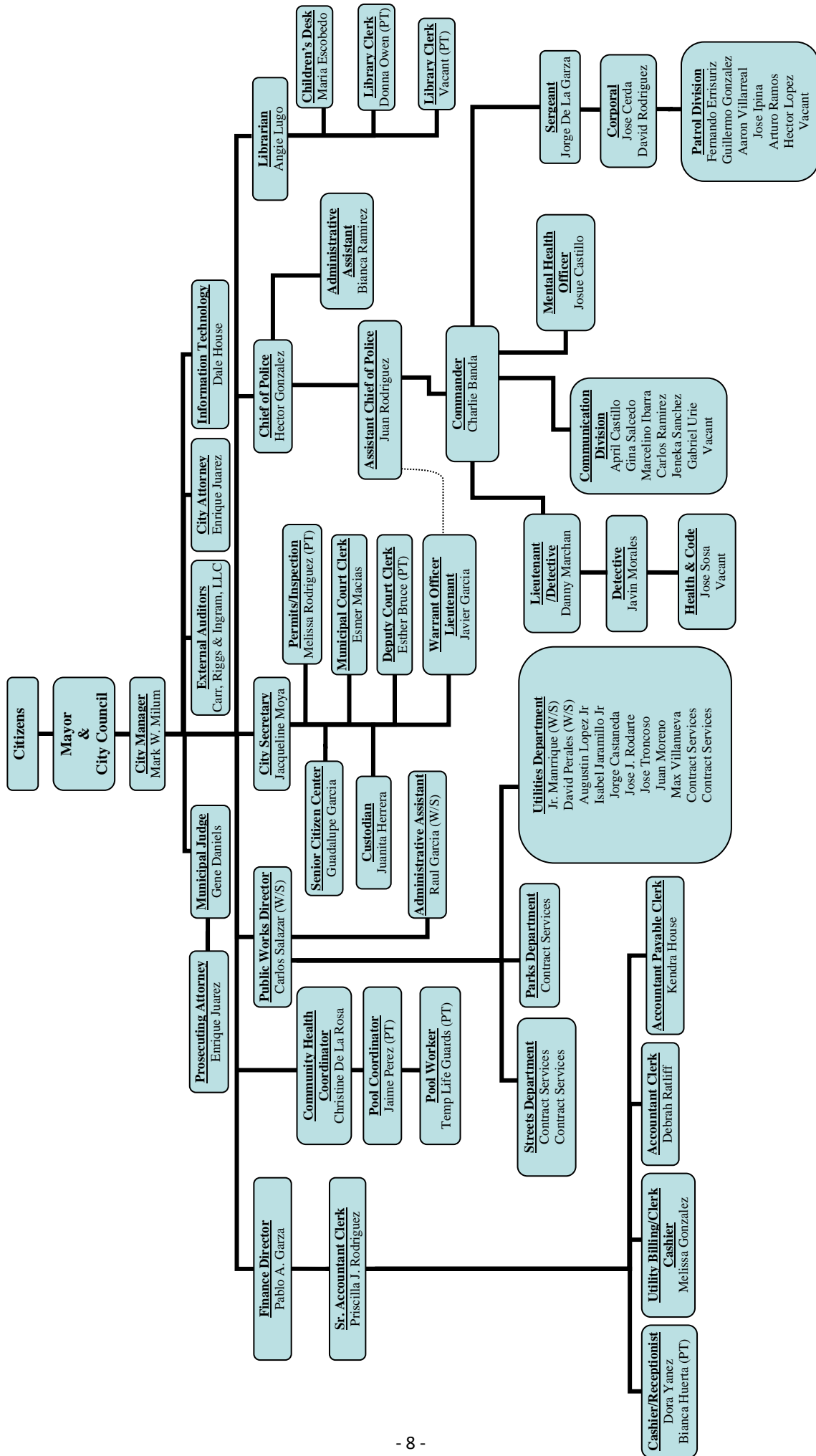
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# City of Los Fresnos Organizational Chart







**REPORT**

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
of the City Council  
City of Los Fresnos, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Los Fresnos, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Los Fresnos, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Adoption of New Accounting Pronouncement***

As described in Note 17 to the financial statements, the City of Los Fresnos, Texas adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of \$(64,491) and \$(33,834) to the September 30, 2018 net position for governmental activities and the business-type activities, respectively. Our opinions are not modified with respect to this matter.

### ***Correction of an Error***

As described in Note 17 to the financial statements, the City of Los Fresnos, Texas corrected the balances recorded for unearned revenue and grant income, which resulted in a prior period adjustment of \$417,260 to the September 30, 2017 net position for governmental activities. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-26, the budgetary comparison information on pages 69-70 and pension supplementary information on pages 71-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Los Fresnos, Texas' basic financial statements. The introductory section, other supplementary information as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary section as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary section as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019, on our consideration of the City of Los Fresnos, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Los Fresnos, Texas' internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
April 10, 2019

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## City of Los Fresnos, Texas Management's Discussion and Analysis

As management of the City of Los Fresnos, we offer readers of the City of Los Fresnos' financial statements this narrative overview and analysis of the financial activities of the City of Los Fresnos for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report.

### Financial Highlights

- The assets of the City of Los Fresnos exceeded its liabilities at the close of the most recent fiscal year by \$29,121,053 (*net position*). Of this amount, \$1,779,575 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Los Fresnos' total net position increased by \$1,259,574.
- At the close of the current fiscal year, the City of Los Fresnos' governmental funds reported combined ending fund balances of \$7,081,697, an increase of \$647,282 in comparison with the prior year due to bond proceeds received. Approximately 18.6% of this amount, \$1,320,335 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of current fiscal year, unassigned fund balance for the general fund was \$1,318,767, or approximately 34.0% of total general fund expenditures.
- The City of Los Fresnos' total outstanding long-term debt increased by \$267,796 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of Los Fresnos' basic financial statements. The City of Los Fresnos' basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City of Los Fresnos' assets, deferred inflows and outflows of resources, and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Los Fresnos is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).



## City of Los Fresnos, Texas Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City of Los Fresnos that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Los Fresnos include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Los Fresnos consist of a Water and Sewer component.

The government-wide financial statements include not only the City of Los Fresnos itself (known as the *primary government*), but also a legally separate Community Development Corporation for which the City of Los Fresnos is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Water and Sewer component, although also legally separate, functions for all practical purposes as a department of the City of Los Fresnos, and therefore has been included as an integral part of the primary government.

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

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

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

The City of Los Fresnos maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining* statements elsewhere in this report.

The City of Los Fresnos adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

## City of Los Fresnos, Texas Management's Discussion and Analysis

**Proprietary funds.** The City of Los Fresnos maintains a proprietary fund. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Los Fresnos uses a proprietary fund to account for its Water and Sewer component and it is also a major fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer component considered to be a major fund of the City of Los Fresnos.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Los Fresnos own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-68 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Los Fresnos' progress in funding its obligation to provide pension and OPEB benefits to its employees.

### Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Los Fresnos, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,121,053 at the close of the most recent fiscal year.

# City of Los Fresnos, Texas

## Management's Discussion and Analysis

**CITY OF LOS FRESNOS, TEXAS**  
**SUMMARY OF NET POSITION**  
**SEPTEMBER 30, 2018**

(With Comparative Totals as of September 30, 2017)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total			
	2018	2017	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>								
Current and other assets	\$ 7,897,280	\$ 7,758,427	\$ 4,691,773	\$ 4,889,289	\$ 12,589,053	\$ 12,647,716	\$ 274,003	\$ 303,445
Capital assets	9,395,950	8,200,071	26,677,722	26,830,502	36,073,672	35,030,573	-	-
<b>Total assets</b>	<b>17,293,230</b>	<b>15,958,498</b>	<b>31,369,495</b>	<b>31,719,791</b>	<b>48,662,725</b>	<b>47,678,289</b>	<b>274,003</b>	<b>303,445</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Pension Related	55,663	150,086	30,340	78,740	86,003	228,826	-	-
OPEB Related	7,450	-	3,908	-	11,358	-	-	-
<b>Total deferred outflow of resources</b>	<b>63,113</b>	<b>150,086</b>	<b>34,248</b>	<b>78,740</b>	<b>97,361</b>	<b>228,826</b>	-	-
<b>Total Assets and Deferred Outflows</b>	<b>\$17,356,343</b>	<b>\$ 16,108,584</b>	<b>\$ 31,403,743</b>	<b>\$ 31,798,531</b>	<b>\$48,760,086</b>	<b>\$ 47,907,115</b>	<b>\$ 274,003</b>	<b>\$ 303,445</b>
<b>LIABILITIES</b>								
Long-term liabilities outstanding	9,699,330	9,038,729	8,762,295	9,274,704	18,461,625	18,313,433	-	-
OPEB liability	78,448	-	41,156	-	119,604	-	-	-
Other liabilities	662,057	860,218	270,595	316,937	932,652	1,177,155	45,177	102,952
<b>Total liabilities</b>	<b>10,439,835</b>	<b>9,898,947</b>	<b>9,074,046</b>	<b>9,591,641</b>	<b>19,513,881</b>	<b>19,490,588</b>	<b>45,177</b>	<b>102,952</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Pension Related	82,087	25,884	43,065	13,579	125,152	39,463	-	-
<b>Total deferred inflow of resources</b>	<b>82,087</b>	<b>25,884</b>	<b>43,065</b>	<b>13,579</b>	<b>125,152</b>	<b>39,463</b>	-	-
<b>NET POSITION</b>								
Net investment in capital assets	4,940,324	3,862,287	21,457,949	21,506,517	26,398,273	25,368,804	-	-
Restricted	467,205	782,227	476,000	454,000	943,205	1,236,227	-	-
Unrestricted	1,426,892	1,539,239	352,683	232,794	1,779,575	1,772,033	228,826	200,493
<b>Total Net Position</b>	<b>6,834,421</b>	<b>6,183,753</b>	<b>22,286,632</b>	<b>22,193,311</b>	<b>29,121,053</b>	<b>28,377,064</b>	<b>228,826</b>	<b>200,493</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$17,356,343</b>	<b>\$ 16,108,584</b>	<b>\$ 31,403,743</b>	<b>\$ 31,798,531</b>	<b>\$48,760,086</b>	<b>\$ 47,907,115</b>	<b>\$ 274,003</b>	<b>\$ 303,445</b>

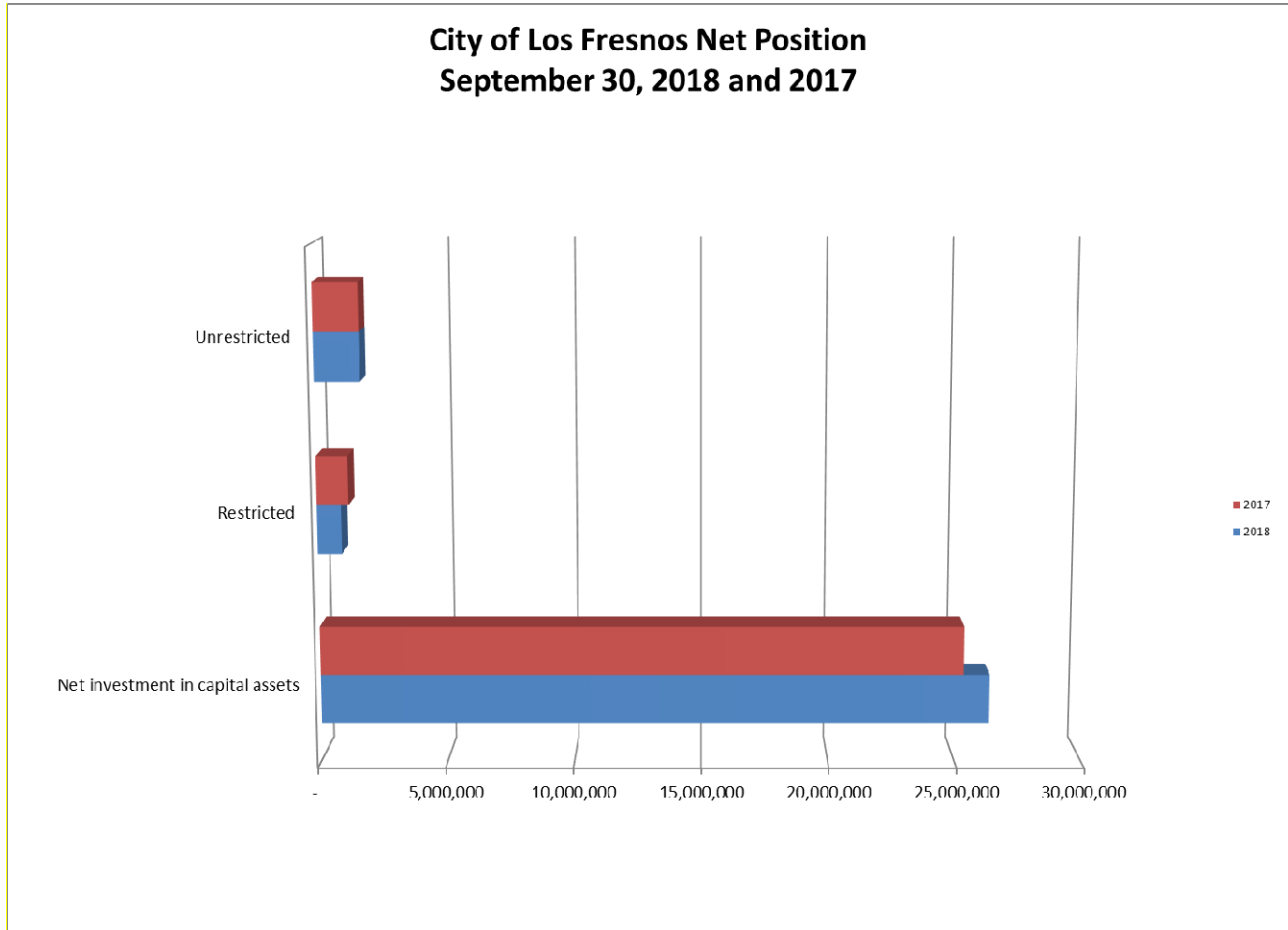
By far the largest portion of the City of Los Fresnos' net position (90.7% percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Los Fresnos uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Los Fresnos investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Los Fresnos' net position (3.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,779,575 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

## City of Los Fresnos, Texas Management's Discussion and Analysis

The City of Los Fresnos' overall net position increased \$1,259,574 from prior fiscal year. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.



## City of Los Fresnos, Texas Management's Discussion and Analysis

### CITY OF LOS FRESNOS, TEXAS CHANGES IN NET POSITION SEPTEMBER 30, 2018

*(With Comparative Totals as of September 30, 2017)*

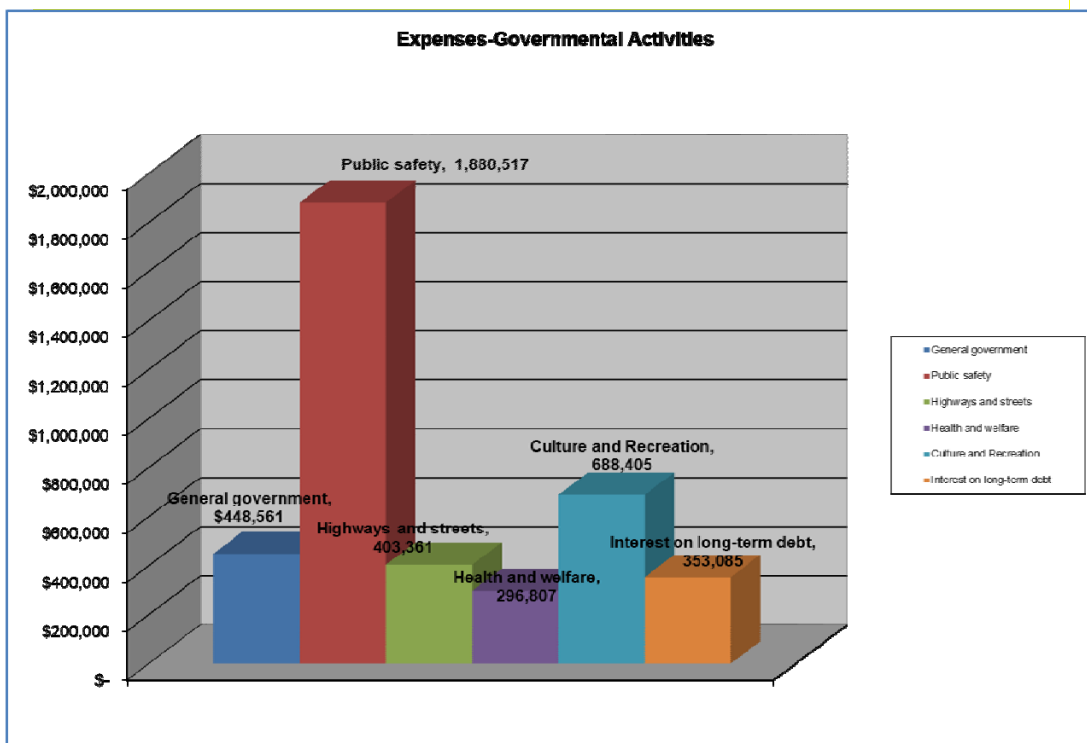
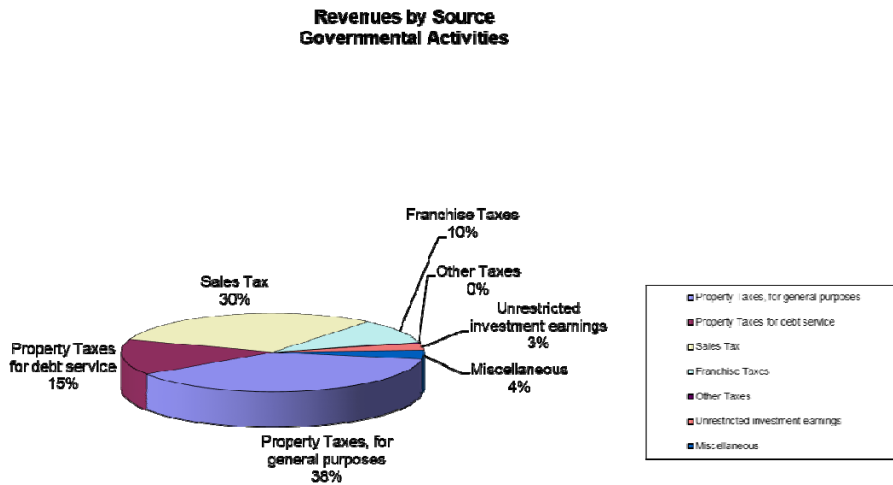
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 962,134	\$ 946,621	\$ 2,772,735	\$ 2,682,952	\$ 3,734,869	\$ 3,629,573
Operating grants and contributions	124,429	1,069,130	-	-	124,429	1,069,130
Capital grants and contributions	543,798	1,157,528	-	-	543,798	1,157,528
General Revenues:						
Property taxes, levied for general purposes	1,877,846	1,521,673	-	-	1,877,846	1,521,673
Sales Taxes	1,088,737	1,011,779	-	-	1,088,737	1,011,779
Franchise Taxes	359,351	327,434	-	-	359,351	327,434
Miscellaneous	246,860	169,767	51,816	21,760	298,676	191,527
<b>Total Revenues</b>	<b>5,203,155</b>	<b>6,203,932</b>	<b>2,824,551</b>	<b>2,704,712</b>	<b>8,027,706</b>	<b>8,908,644</b>
Expenses:						
General government	448,561	1,563,899	-	-	448,561	1,563,899
Public safety	1,880,517	1,761,395	-	-	1,880,517	1,761,395
Highways and streets	403,361	380,922	-	-	403,361	380,922
Health and welfare	296,807	311,236	-	-	296,807	311,236
Culture and Recreation	688,405	595,951	-	-	688,405	595,951
Interest on long-term debt	353,085	234,405	-	-	353,085	234,405
Water	-	-	1,301,036	1,594,457	1,301,036	1,594,457
Sewer	-	-	1,396,360	1,426,348	1,396,360	1,426,348
<b>Total Expenses</b>	<b>4,070,736</b>	<b>4,847,808</b>	<b>2,697,396</b>	<b>3,020,805</b>	<b>6,768,132</b>	<b>7,868,613</b>
Increase/(decrease) in net position before transfers	1,132,419	1,356,124	127,155	(316,093)	1,259,574	1,040,031
Transfers	-	(24,700)	-	24,700	-	-
<b>Increase in net position</b>	<b>1,132,419</b>	<b>1,331,424</b>	<b>127,155</b>	<b>(291,393)</b>	<b>1,259,574</b>	<b>1,040,031</b>
Net position--beginning	6,183,753	4,852,329	22,193,311	22,484,704	28,377,064	27,337,033
Prior Period Adjustment	(481,751)	-	(33,834)	-	(515,585)	-
Net position--beginning, restated	5,702,002	4,852,329	22,159,477	22,484,704	27,861,479	27,337,033
<b>Net position--ending</b>	<b>\$ 6,834,421</b>	<b>\$ 6,183,753</b>	<b>\$ 22,286,632</b>	<b>\$ 22,193,311</b>	<b>\$ 29,121,053</b>	<b>\$ 28,377,064</b>

**Governmental Activities.** During the current fiscal year, revenue decreased by \$(1,000,777). The main reason for the decrease in revenue was due to a decrease of grant funds received. During the current fiscal year, expenses decreased by \$(777,072).

# City of Los Fresnos, Texas Management's Discussion and Analysis

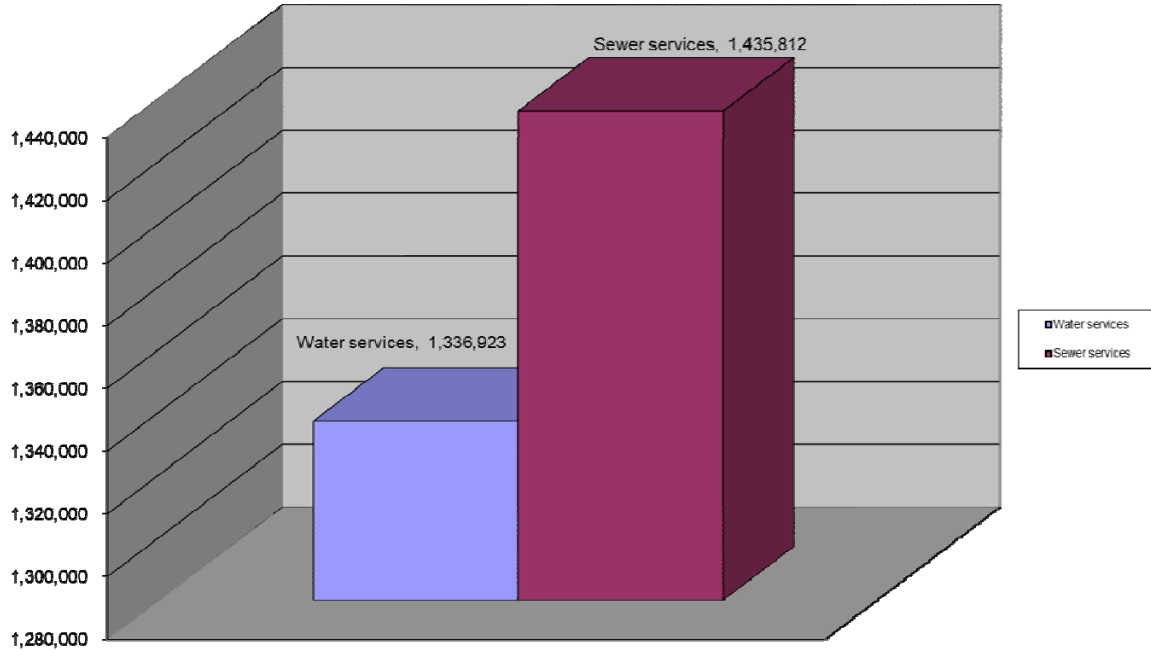
**Business Type Activities.** For the City of Los Fresnos' business-type activities, the results for the current fiscal year were an increase to overall net position with an ending balance of \$22,286,632. The total increase in net position for business-type activities was \$127,155 or 0.63% from the prior fiscal year.

**Component Unit.** Net position increased by \$28,333.

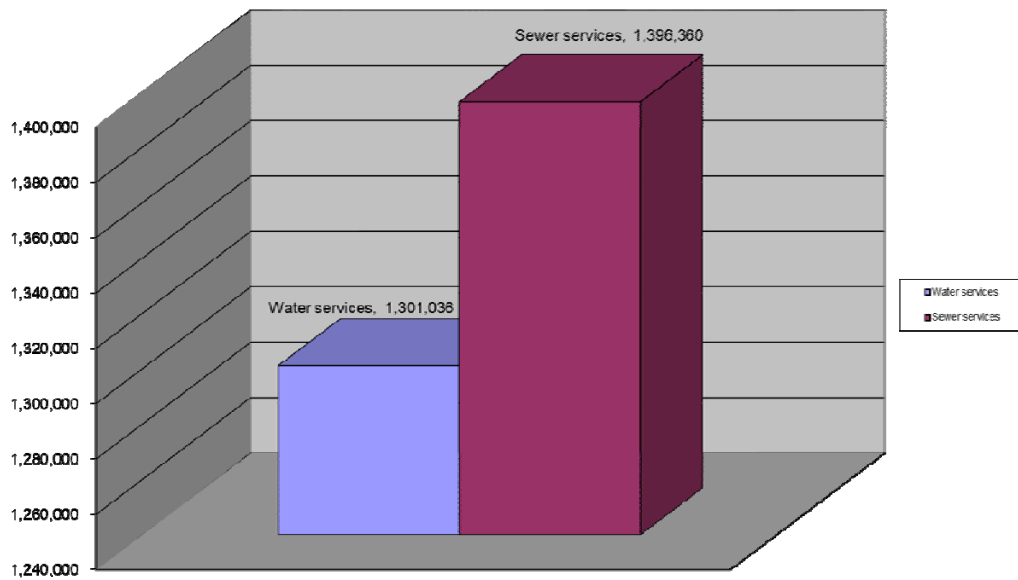


# City of Los Fresnos, Texas Management's Discussion and Analysis

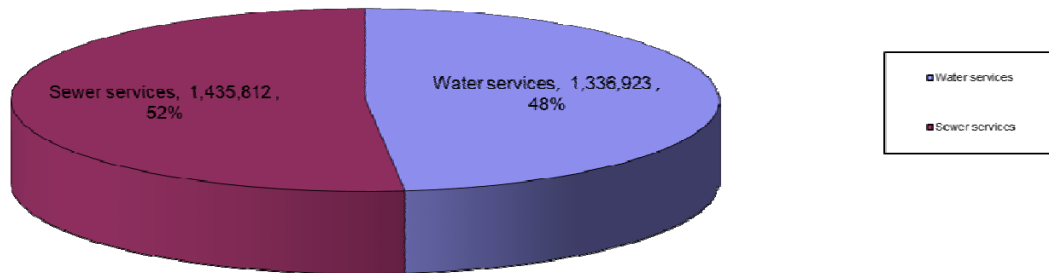
### Program Revenues-Business-type Activities



### Expenses-Business-type Activities



**Revenues by Source-Business-type Activities**



**Financial Analysis of Governmental Funds**

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

*Governmental Funds.* The focus of the City of Los Fresnos' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Los Fresnos' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Los Fresnos itself, or a group of individuals that has been delegated authority to assign resources for use for particular purposes by the City of Los Fresnos' Council.

As of the end of the current fiscal year, the City of Los Fresnos' governmental funds reported combined ending fund balances of \$7,081,697, an increase of \$647,282 in comparison with the prior year. Approximately 18.6% of this amount \$1,318,767 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed for other services.



## City of Los Fresnos, Texas Management's Discussion and Analysis

The general fund is the chief operating fund of the City of Los Fresnos. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,318,767. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City of Los Fresnos' general fund increased by, \$199,064, during the current fiscal year. Key factors in this increase are as follows:

- Property tax revenue increased by \$195,035 during the year.
- Capital outlay increased by \$122,165 during the year.

The debt service fund has a total fund balance of \$27,382, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$3,596.

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

Unrestricted net position of the Utility Fund at the end of the year amounted to \$352,683 out of a total net position balance of \$22,286,632, which represents an increase from the prior year of \$127,155 net income.

### General Fund Budgetary Highlights

**Final budget compared to actual results.** A review of the actual revenue compared to appropriations in the final budget yields no significant variances.

The most significant differences between estimated expenditures and actual expenditures were as follows:

<u>Expenditure Resource</u>	<u>Estimated Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Public safety	\$1,849,076	\$1,755,205	\$ 93,871

The most significant differences between original budget and final amended budget were as follows:

<u>Expenditure Resource</u>	<u>Budget</u>	<u>Final Amended Budget</u>	<u>Difference</u>
Capital outlay	\$ 72,120	\$446,563	\$374,443

## City of Los Fresnos, Texas Management's Discussion and Analysis

### Capital Asset and Debt Administration

**Capital assets.** The City of Los Fresnos' investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to \$36,073,672 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. This information can be found in Note 5 of this report.

**CITY OF LOS FRESNOS, TEXAS  
CAPITAL ASSETS (net of depreciation)  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Capital assets, not being depreciated:						
Land/Water rights	\$ 1,190,726	\$ 1,190,726	\$ 519,409	\$ 519,409	\$ 1,710,135	\$ 1,710,135
Construction in progress	332,762	365,106	402,526	2,355,558	735,288	2,720,664
Capital assets, being depreciated:						
Buildings and system	1,409,586	1,409,586	-	-	1,409,586	1,409,586
Improvements other than buildings	-	-	37,293	37,293	37,293	37,293
Machinery and equipment	2,061,850	1,911,650	2,828,087	2,276,861	4,889,937	4,188,511
Infrastructure	8,036,005	6,533,546	30,430,640	28,451,525	38,466,645	34,985,071
Accumulated depreciation	(3,634,979)	(3,210,543)	(7,540,233)	(6,810,144)	(11,175,212)	(10,020,687)
<b>Total capital assets</b>	<b>\$ 9,395,950</b>	<b>\$ 8,200,071</b>	<b>\$ 26,677,722</b>	<b>\$ 26,830,502</b>	<b>\$ 36,073,672</b>	<b>\$ 35,030,573</b>

Major capital asset events during the current fiscal year included the following:

- Purchase of a City Hall tower \$15,467
- Purchase of two (2) 6K Light Towers \$17,416
- Purchase of a simulator and a recording system \$47,516
- Purchase of two (2) Police Units and two (2) ATV's (All Terrain Vehicles) \$117,303
- Street and drainage improvements \$871,552
- Park trails, signage, trails, and landscaping improvements \$630,924
- Water treatment plant expansion \$1,351,846
- Sewer and collection system rehabilitation \$1,118,043

Additional information on the City of Los Fresnos' capital assets can be found in Note 5 of this report.

## City of Los Fresnos, Texas Management's Discussion and Analysis

**Long-term Debt.** At the end of the current fiscal year, the City of Los Fresnos had total bonded debt outstanding of \$17,436,042, including the component unit. This information can be found in Note 8 of this report.

**CITY OF LOS FRESNOS, TEXAS  
OUTSTANDING DEBT  
GENERAL OBLIGATION AND REVENUE BONDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Governmental activities		Business-type activities		Component unit		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 9,580,000	\$ 8,850,000	\$ -	\$ -	\$ -	\$ -	\$ 9,580,000	\$ 8,850,000
Revenue bonds	-	-	8,132,042	8,586,042	-	-	8,132,042	8,586,042
Total	<u>\$ 9,580,000</u>	<u>\$ 8,850,000</u>	<u>\$ 8,132,042</u>	<u>\$ 8,586,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,712,042</u>	<u>\$ 17,436,042</u>

The City of Los Fresnos' General Obligation and Revenue Bonds increased, by \$1,000,000, during the current fiscal year. The reason for this increase was due to the issuance of Tax Note Series 2018.

### Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Los Fresnos and were considered in developing the 2018-2019 fiscal year budget:

- The unemployment rate for Cameron County is currently 6.0 percent at the end of 2018. The rate represents a decrease compared to 7.0 percent in 2017. This compares unfavorable to the state's average unemployment rate of 4.0 percent and unfavorable to the national average rate of 3.9 percent.
- The Water and Wastewater rates have remained the same for fiscal year 2018-2019.
- The City has kept a conservative attitude towards the budget preparation and was able to present and approve a balance budget on the General Fund.

During the current fiscal year, the unassigned fund balance in the general fund increased to \$1,318,767. The City of Los Fresnos has appropriated \$4,039,221 for spending in the 2018-2019 fiscal year budget.

### Requests for Information

This financial report is designed to provide a general overview of the City of Los Fresnos' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 200 North Brazil Street, Los Fresnos, Texas 78566.



# FINANCIAL STATEMENTS

City of Los Fresnos, Texas  
**STATEMENT OF NET POSITION**  
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 885,789	\$ 1,598,574	\$ 2,484,363	\$ 238,344
Restricted cash	5,311,461	3,546,191	8,857,652	-
Receivables, net	353,393	202,243	555,636	35,659
Due from other governments	377,541	-	377,541	-
Prepaid expenses	1,568	-	1,568	-
Internal balances	762,639	(762,639)	-	-
Due from component unit/primary government	174	-	174	-
Net pension asset	204,715	107,404	312,119	-
Capital assets, net				
Capital assets not being depreciated	1,523,488	921,935	2,445,423	-
Capital assets, net of accumulated depreciation	7,872,462	25,755,787	33,628,249	-
<b>Total assets</b>	<b>17,293,230</b>	<b>31,369,495</b>	<b>48,662,725</b>	<b>274,003</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	55,663	30,340	86,003	-
Deferred outflows related to OPEB	7,450	3,908	11,358	-
<b>Total deferred outflows of resources</b>	<b>63,113</b>	<b>34,248</b>	<b>97,361</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	<b>\$ 17,356,343</b>	<b>\$ 31,403,743</b>	<b>\$ 48,760,086</b>	<b>\$ 274,003</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 472,790	\$ 98,742	\$ 571,532	\$ 41,987
Accrued expenses	189,267	171,853	361,120	3,016
Due to component unit/primary government	-	-	-	174
Non-current liabilities				
OPEB liability	78,448	41,156	119,604	-
Due within one year	545,895	567,729	1,113,624	-
Due in more than one year	9,153,435	8,194,566	17,348,001	-
<b>Total liabilities</b>	<b>10,439,835</b>	<b>9,074,046</b>	<b>19,513,881</b>	<b>45,177</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	82,087	43,065	125,152	-
<b>Total deferred inflows of resources</b>	<b>82,087</b>	<b>43,065</b>	<b>125,152</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,940,324	21,457,949	26,398,273	-
Restricted for debt service	27,454	476,000	503,454	-
Restricted for Hike and Bike project	5,534	-	5,534	-
Restricted for TIFRZ	434,217	-	434,217	-
Unrestricted	1,426,892	352,683	1,779,575	228,826
<b>Total net position</b>	<b>6,834,421</b>	<b>22,286,632</b>	<b>29,121,053</b>	<b>228,826</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
	<b>\$ 17,356,343</b>	<b>\$ 31,403,743</b>	<b>\$ 48,760,086</b>	<b>\$ 274,003</b>

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

City of Los Fresnos, Texas  
**STATEMENT OF ACTIVITIES**  
For the fiscal year ended September 30, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Governmental activities:</b>				
General government	\$ 448,561	\$ 338,432	\$ -	\$ 83,206
Public safety	1,880,517	590,366	57,236	-
Highways and streets	403,361	-	-	-
Health and welfare	296,807	5,568	67,193	305,649
Culture and recreation	688,405	27,768	-	154,943
Interest and other issuance fees	353,085	-	-	-
<b>Total governmental activities</b>	<b>4,070,736</b>	<b>962,134</b>	<b>124,429</b>	<b>543,798</b>
<b>Business - type activities:</b>				
Water services	1,301,036	1,336,923	-	-
Sewer services	1,396,360	1,435,812	-	-
<b>Total business-type activities</b>	<b>2,697,396</b>	<b>2,772,735</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 6,768,132</b>	<b>\$ 3,734,869</b>	<b>\$ 124,429</b>	<b>\$ 543,798</b>
<b>Component Unit</b>				
Community development services	\$ 331,995	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

**Total general revenues and transfers**

**Change in net position**

Net position--beginning

Prior period adjustment

Net position--beginning, restated

**Net position--ending**

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business - type Activities	Total	
\$ (26,923)	\$ -	\$ (26,923)	\$ -
(1,232,915)	-	(1,232,915)	-
(403,361)	-	(403,361)	-
81,603	-	81,603	-
(505,694)	-	(505,694)	-
(353,085)	-	(353,085)	-
(2,440,375)	-	(2,440,375)	-
			-
			-
-	35,887	35,887	-
-	39,452	39,452	-
-	75,339	75,339	-
(2,440,375)	75,339	(2,365,036)	-
			(331,995)
1,350,505	-	1,350,505	-
527,341	-	527,341	-
1,088,737	-	1,088,737	358,576
359,351	-	359,351	-
14,409	-	14,409	-
103,005	51,816	154,821	1,752
129,446	-	129,446	-
3,572,794	51,816	3,624,610	360,328
1,132,419	127,155	1,259,574	28,333
6,183,753	22,193,311	28,377,064	200,493
(481,751)	(33,834)	(515,585)	-
5,702,002	22,159,477	27,861,479	200,493
\$ 6,834,421	\$ 22,286,632	\$ 29,121,053	\$ 228,826

City of Los Fresnos, Texas  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
September 30, 2018

	General Fund	CO Series 2017 Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 691,407	\$ -	\$ 194,382	\$ 885,789
Restricted cash	-	4,175,964	1,135,497	5,311,461
Receivables (net of allowance for uncollectibles)				
Taxes	208,680	-	18,346	227,026
Accounts	126,367	-	-	126,367
Due from other governments	110,816	-	266,725	377,541
Prepaid expenses	1,568	-	-	1,568
Due from other funds	1,147,509	23,457	265,534	1,436,500
Due from component unit	174	-	-	174
<b>TOTAL ASSETS</b>	<b>\$ 2,286,521</b>	<b>\$ 4,199,421</b>	<b>\$ 1,880,484</b>	<b>\$ 8,366,426</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 463,425	\$ -	\$ 9,365	\$ 472,790
Accrued expenditures	32,989	-	-	32,989
Due to other funds	381,969	-	291,892	673,861
<b>TOTAL LIABILITIES</b>	<b>878,383</b>	<b>-</b>	<b>301,257</b>	<b>1,179,640</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	87,803	-	17,286	105,089
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>87,803</b>	<b>-</b>	<b>17,286</b>	<b>105,089</b>
<b>FUND BALANCES</b>				
Nonspendable:	1,568	-	-	1,568
Restricted for:				
Debt service	-	-	27,382	27,382
Hike and Bike project	-	-	5,534	5,534
TIFRZ	-	-	434,217	434,217
Capital projects	-	4,199,421	1,094,808	5,294,229
Unassigned	1,318,767	-	-	1,318,767
<b>Total fund balances</b>	<b>1,320,335</b>	<b>4,199,421</b>	<b>1,561,941</b>	<b>7,081,697</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,286,521</b>	<b>\$ 4,199,421</b>	<b>\$ 1,880,484</b>	<b>\$ 8,366,426</b>

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



**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2018

	Governmental Activities
Fund balances	\$ 7,081,697
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,395,950
Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.	105,089
Some liabilities, including bonds and capital leases payable, are not due in the current period and therefore are not reported in the funds.	(9,699,330)
Included in the noncurrent assets is the recognition of the City's net pension asset required by GASB 68 in the amount of \$204,715, a deferred resource inflow in the amount of \$(82,087), and a deferred resource outflow in the amount of \$55,663. This resulted in an increase in net position of \$178,291.	
Included in the noncurrent liabilities is the recognition of the City's OPEB liability required by GASB 75 in the amount of \$(78,448), a deferred resource inflow in the amount of \$0, and a deferred resource outflow in the amount of \$7,450. This resulted in a decrease in net position of \$(70,998).	107,293
Interest on long-term debt (\$101,102) and compensated absences (\$55,176) are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(156,278)
Net position	\$ 6,834,421

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

City of Los Fresnos, Texas  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the fiscal year ended September 30, 2018

	General Fund	CO Series 2017 Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,347,115	\$ -	\$ 527,269	\$ 1,874,384
Nonproperty taxes	1,462,497	-	-	1,462,497
Fines and forfeitures	569,683	-	-	569,683
Licenses and permits	109,991	-	-	109,991
Contributions and donations	6,250	-	-	6,250
Charges for services	282,460	-	-	282,460
Intergovernmental	262,679	-	250,606	513,285
Miscellaneous and program revenues	84,446	-	45,000	129,446
Interest and investment income	20,078	78,485	4,442	103,005
<b>Total revenues</b>	<b>4,145,199</b>	<b>78,485</b>	<b>827,317</b>	<b>5,051,001</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	584,825	-	10,000	594,825
Public safety	1,755,205	-	-	1,755,205
Highways and streets	271,273	-	-	271,273
Health and welfare	287,430	-	-	287,430
Culture and recreation	478,571	-	-	478,571
Capital outlay	419,577	471,728	432,625	1,323,930
Bond issuance costs	-	-	64,000	64,000
<b>Debt service</b>				
Principal retirement	69,399	-	270,000	339,399
Interest and fiscal agent fees	4,115	-	282,601	286,716
Administrative costs	-	-	2,369	2,369
<b>Total expenditures</b>	<b>3,870,395</b>	<b>471,728</b>	<b>1,061,595</b>	<b>5,403,718</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>274,804</b>	<b>(393,243)</b>	<b>(234,278)</b>	<b>(352,717)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	263,238	263,238
Transfers out	(75,740)	-	(187,499)	(263,239)
Bond issuance	-	-	1,000,000	1,000,000
<b>Total other financing sources (uses)</b>	<b>(75,740)</b>	<b>-</b>	<b>1,075,739</b>	<b>999,999</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>199,064</b>	<b>(393,243)</b>	<b>841,461</b>	<b>647,282</b>
Fund balances, beginning of year	1,121,271	4,592,664	1,137,740	6,851,675
Prior period adjustment	-	-	(417,260)	(417,260)
<b>Fund balances, beginning of year as restated</b>	<b>1,121,271</b>	<b>4,592,664</b>	<b>720,480</b>	<b>6,434,415</b>
<b>Fund balances, end of year</b>	<b>\$ 1,320,335</b>	<b>\$ 4,199,421</b>	<b>\$ 1,561,941</b>	<b>\$ 7,081,697</b>

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

City of Los Fresnos, Texas  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**  
 For the fiscal year ended September 30, 2018

	Governmental Activities
Net change in fund balances -- total governmental funds	\$ 647,282
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$424,437) was exceeded by capital outlay of \$1,620,316.	1,195,879
Certain property tax revenues are deferred in the funds but are recognized as revenue in the statement of activities. The change in those amounts for the current period result in an increase to the change in net position.	3,462
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Expenses in the statement of activities differ from expenditures reported in the governmental funds for the change in compensated absences payable during the year (\$821) and the change in accrued interest of \$27,512.	26,691
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$29,592. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(13,618). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(89,761). The result of these changes is to decrease the change in net position by \$(73,787).	(80,294)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$1,617. Contributions made before the measurement date but after the previous date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(1,424). The City's reported net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(6,700). The result of these changes is to decrease the change in net position by \$(6,507).	(80,294)
Bond proceeds are recorded as other financing sources in the governmental funds while they are recorded as long-term debt in the statement of net position.	(1,000,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.	339,399
Change in net position of governmental activities	\$ 1,132,419

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

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

<i>September 30, 2018</i>	Enterprise Fund
	Water & Sewer Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,598,574
Restricted cash and cash equivalents	3,546,191
Service receivables, net	202,243
Due from other funds	199,503
Total current assets	5,546,511
Other noncurrent assets	
Net pension asset	107,404
Capital assets	
Land	105,759
Vehicles	247,956
Warehouse lot improvements	37,293
Furniture and equipment	59,834
Water treatment and distribution	7,090,698
Elevated storage tank	1,533,233
Water treatment equipment	67,039
Water meters	840,031
Water rights	413,650
Sanitary sewer system	23,339,945
Sewer system equipment	79,992
Construction in progress	402,526
	34,217,956
Accumulated depreciation	(7,540,234)
Total capital assets	26,677,722
Deferred outflows of resources	
Deferred outflows related to pension liabilities	30,340
Deferred outflows related to OPEB	3,908
Total deferred outflows of resources	34,248
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 32,365,885

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

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION - CONTINUED**

<i>September 30, 2018</i>	Enterprise Fund
	Water & Sewer Fund
<b>LIABILITIES</b>	
Current liabilities	
Current maturities of long-term debt	\$ 567,729
Accounts payable	98,742
Accrued expenses and other liabilities	128,662
Accrued interest on revenue bonds	43,191
Due to other funds	962,142
Total current liabilities	1,800,466
Long-term liabilities	
Meter deposits	196,072
OPEB liability	41,156
Capital lease payable	342,452
Revenue bonds payable	7,656,042
Total long-term liabilities	8,235,722
Total liabilities	10,036,188
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources	
Pension related	43,065
<b>NET POSITION</b>	
Net investment in capital assets	21,457,949
Restricted for debt service	476,000
Unrestricted	352,683
Total net position	22,286,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 32,365,885

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**

<i>For the fiscal year ended September 30, 2018</i>	Enterprise Fund
	Water & Sewer Fund
Operating revenues	
Current user charges	\$ 2,699,035
Penalties	73,700
Total operating revenues	2,772,735
Operating expenses	
Administration	906,804
Employee benefits	251,126
Materials and supplies	206,838
Repairs and maintenance	202,140
Water purchases	34,517
Other operating expenses	221,797
Depreciation	730,089
Total operating expenses	2,553,311
Operating income (loss)	219,424
Nonoperating revenues (expenses)	
Interest income	51,816
Interest expense	(144,085)
Total nonoperating revenues (expenses)	(92,269)
Net income (loss) before transfers	127,155
Transfers	
Transfers in	3,034,893
Transfers out	(3,034,893)
Total transfers	-
<b>CHANGE IN NET POSITION</b>	<b>127,155</b>
Net position, beginning of year	22,193,311
Prior period adjustment	(33,834)
Net position, beginning of year, restated	22,159,477
Net position, end of year	\$ 22,286,632

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

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

<i>For the fiscal year ended September 30, 2018</i>	Enterprise Fund
	Water & Sewer Fund
Cash flows from operating activities	
Receipts from customers	\$ 2,706,088
Payments to suppliers	(1,180,000)
Payments to employees	(219,431)
Net cash provided by operating activities	1,306,657
Cash flows from noncapital financing activities	
Transfers in	3,034,893
Transfers (out)	(3,034,893)
Net cash flows from noncapital financing activities	-
Cash flows from capital and related financing activities	
Purchase of capital assets	(577,310)
Principal paid on long-term debt	(517,039)
Interest paid on long-term debt	(144,085)
Net cash (used) by capital and related financing activities	(1,238,434)
Cash flows from (to) investing activities	
Interest income received	51,816
Net cash provided by investing activities	51,816
Net increase in cash and cash equivalents	120,039
Cash and cash equivalents, beginning of year	5,024,726
Cash and cash equivalents, end of year	\$ 5,144,765
Reconciliation of operating income (loss) to net cash (used) by operating activities:	
Operating income (loss)	\$ 219,424
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation	730,090
(Increase) decrease in receivables	43,346
(Increase) decrease in due from other funds	314,516
(Increase) decrease in net pension asset	(40,307)
(Increase) decrease in deferred outflows	45,239
Increase (decrease) in accounts payable	(37,044)
Increase (decrease) in accrued expenses and other liabilities	(9,298)
Increase (decrease) in meter deposits	4,630
Increase (decrease) in OPEB liability	6,575
Increase (decrease) in deferred inflows	29,486
Net cash provided by operating activities	\$ 1,306,657

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Los Fresnos, Texas (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

*Reporting Entity*

The City of Los Fresnos, Texas (the City) was incorporated on November 21, 1945, under the provisions of the laws for the State of Texas. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater), and garbage.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Los Fresnos, Texas and its component unit entity, for which the City is considered to be financially accountable. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

*Blended component units* - Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City of Los Fresnos, Texas does not include any blended component units.

*Discretely presented component units* - Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

The Los Fresnos Community Development Corporation (the "Corporation") is a non-profit industrial development corporation governed by a seven member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end. A copy of the component unit's financial statements can be obtained by contacting the City of Los Fresnos at City Hall, 200 North Brazil, Los Fresnos, Texas 78566.

*Measurement Focus, Basis of Accounting and Basis of Presentation*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting and Basis of Presentation - Continued*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports deferred inflows of resources on its combined balance sheet. Deferred inflows of resources arise when potential revenue is *unavailable*. 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. Governmental funds also report unavailable revenues that arise from special assessments which are deferred and recognized as an inflow of resources in the period when the amounts become available.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "*fund types*".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of general long-term debt (debt service funds).

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting and Basis of Presentation - Continued*

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses typically are the result of activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

The City reports the following governmental major funds:

**Governmental fund type:**

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

The *CO Series 2017 Fund* is reported as a major fund. It is used to account for bond proceeds used for construction.

Additionally, the City reports the following government fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. None of the special revenue funds are major.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund is not reported as a major fund.

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities, not being financed by the proprietary funds.

**Proprietary fund types:**

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

The *Water & Sewer Fund* is a major fund used to account for the operations of the City's water distribution and wastewater collection.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Implementation of New Accounting Statements*

For fiscal year 2017-18, the City has implemented the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board.

***New Accounting Standards Adopted***

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. Statement 75 requires governments of all types to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability.

GASB Statement No. 85, Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86. *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The City has determined that this statement does not impact the City.

***Recently Issued Accounting Pronouncements***

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance*

**a. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

**b. Short-Term Interfund Receivables and Payables/Internal Balances**

Short-term lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as "due to/from other funds." "Due to/from other funds" represent the current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

**c. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, because their use is limited by applicable bond covenants or City Ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, as well as amounts set aside from customers' meter deposits.

**d. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value rather than fair value.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance – Continued*

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Site improvements	7 - 55 years
Buildings	24 - 40 years
Furniture and equipment	7 - 20 years
Vehicles	3 - 7 years
Infrastructure	20 - 50 years

**e. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance costs, are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as all bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures in the governmental funds.

**f. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following items in this category:

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance – Continued*

In the addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reports the following items in this category:

- Unavailable revenues which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category and are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: property taxes, payments in lieu of taxes, special assessments, noncurrent receivables and other. These amounts are recognized as an inflow of resources in the period that the amounts become available.
- The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

**g. Net position flow assumptions**

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

**h. Fund balance flow assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**i. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance – Continued*

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**j. Pensions**

For purposes of measuring the net pension asset, 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.

**k. Other Post-Employment Benefits (OPEB)**

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the Supplemental Death Benefit's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's Total Net OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**l. Bond Discounts/Issue Costs**

In governmental fund types, bond issuance costs are recognized in the current period. Bond discounts, bond premiums and bond insurance costs for government-wide financial statements and proprietary fund types are deferred and amortized over the initial life of the bonds. Bond discounts are presented as a reduction of the face amount of bonds payable, bond issuance costs are an expense of the current period and bond insurance costs are recorded as deferred charges and amortized over the life of the related bond.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m. Interfund Receivables, Payables and Transfers**

The due to/from other funds primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year-end. Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, 2) reimburse the Debt Service Fund for debt service payments on debt related to the reimbursing fund, and 3) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

**n. Comparative Data**

Comparative total data for the prior year has been presented in the fund financial statements (other supplementary information).

**o. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water and Sewer funds.

Accounting principles generally accepted in the United States of America require that budgetary schedules be reported for the General Fund and all major special revenue funds with a legally adopted budget. The City of Los Fresnos prepares a legally adopted annual budget for the Tax Increment Financing Reinvestment Zone special revenue fund which is not a major fund in the current year; therefore it is presented in the other supplementary section of this report.

Unused appropriations for the annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Revisions that alter total appropriations must be approved by the City Council. Therefore, the legal level of budgetary responsibility is at the total expenditures level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Council.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

***Expenditures Over Appropriations***

At September 30, 2018 expenditures did not exceed appropriations.

***Deficit Fund Equity***

None reported.

**NOTE 3: DEPOSITS AND INVESTMENTS**

It is the City's policy as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2018, the City's deposits were entirely covered by federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

***Interest Rate Risk***

The investment policy states that average maturity on any investment of the City's operating fund shall not exceed one year in maturity. The maximum final stated maturity of any investment shall not exceed five years.

***Credit Risk***

The City's investment policy limits authorized investments to certificates of deposit, U. S. Treasuries and federal government agencies, direct obligations of the State of Texas or its agencies, certain fully collateralized direct repurchase agreements, or joint pools of political subdivisions in the State of Texas with a credit quality rating no lower than AAA.

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

***Fair Value Measurements***

The City categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.

Level 2 – Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.

Level 3 – Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs.)

The City’s amounts for the investment pools (LoneStar Investment Pool) of \$5,222,304 are included for financial reporting purposes in cash and cash equivalents on the Statement of Net Position as of September 30, 2018.

The City’s Local Government Investment Pools (LGIPs) qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals. The City does not have any investments to report at fair value as of September 30, 2018.

As of September 30, 2018, all of the City’s external investment pools meet the criteria described in GASB Statement No. 79 and measures all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2018, consist of the following:

	Primary Government			Total	Component
	General Fund	Water and Sewer Fund	Non-Major and Other		Unit Community Development Corporation
Receivables					
Taxes	\$221,675	\$ -	\$ 21,816	\$ 243,491	\$ 35,659
Accounts	122,566	279,102	-	401,668	-
Intergovernmental	110,816	-	-	110,816	-
Other	<u>3,801</u>	<u>-</u>	<u>266,725</u>	<u>270,526</u>	<u>-</u>
Gross receivables	458,858	279,102	288,541	1,026,501	35,659
Less allowance for uncollectibles	<u>12,995</u>	<u>76,859</u>	<u>3,470</u>	<u>93,324</u>	<u>-</u>
Total receivables, net	<u>\$445,863</u>	<u>\$202,243</u>	<u>\$285,071</u>	<u>\$ 933,177</u>	<u>\$ 35,659</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 4 – RECEIVABLES (Continued)**

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within sixty days after year-end.

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied as of October 1. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1 or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

**NOTE 5: CAPITAL ASSETS**

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

**Governmental Activities**

	Beginning Balance October 1, <u>2017</u>	Additions	Transfers/ Reclassification	Retirements Disposals	Ending Balance September 30, <u>2018</u>
<b>Capital assets, not being depreciated:</b>					
Land	\$1,190,726	\$ -	\$ -	\$ -	\$1,190,726
Construction in progress	<u>365,106</u>	<u>129,080</u>	<u>(161,424)</u>	<u>-</u>	<u>332,762</u>
	1,555,832	129,080	(161,424)	-	1,523,488
<b>Capital assets, being depreciated:</b>					
Buildings	1,409,586	-	-	-	1,409,586
Machinery and equipment	1,911,650	150,200	-	-	2,061,850
Infrastructure	<u>6,533,546</u>	<u>1,341,035</u>	<u>161,424</u>	<u>-</u>	<u>8,036,005</u>
	9,854,782	1,491,235	161,424	-	11,507,441
Less accumulated depreciation for:					
Buildings	(681,591)	(19,771)	-	-	(701,362)
Machinery and equipment	(1,499,406)	(102,057)	-	-	(1,601,463)
Infrastructure	<u>(1,029,546)</u>	<u>(302,608)</u>	<u>-</u>	<u>-</u>	<u>(1,332,154)</u>
Total accumulated depreciation	<u>(3,210,543)</u>	<u>(424,436)</u>	<u>-</u>	<u>-</u>	<u>(3,634,979)</u>
Total capital assets, being depreciated, net	<u>6,644,239</u>	<u>1,066,799</u>	<u>161,424</u>	<u>-</u>	<u>7,872,462</u>
Governmental activities, capital assets, net	<u>\$8,200,071</u>	<u>\$1,195,879</u>	<u>\$-</u>	<u>\$-</u>	<u>\$9,395,950</u>

Depreciation is provided in the funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Site improvements	7 - 55 years
Buildings	24 - 40 years
Furniture and equipment	7 - 20 years
Vehicles	3 - 7 years
Infrastructure	20 - 50 years

Depreciation was charged to government functions as follows:

General government	\$ 11,076
Public safety	73,672
Highways and streets	132,088
Health and welfare	5,372
Culture and recreation	<u>202,228</u>
Total depreciation - governmental activities	<u>\$424,436</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS (Continued)**

**Business-type Activities**

	Beginning Balance October 1, <u>2017</u>	<u>Additions</u>	Transfers/ <u>Reclassification</u>	Ending Balance September 30, <u>2018</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 105,759	\$ -	\$ -	\$ 105,759
Water rights	413,650	-	-	413,650
Construction in progress	<u>2,355,558</u>	<u>215,831</u>	<u>(2,168,863)</u>	<u>402,526</u>
	2,874,967	215,831	(2,168,863)	921,935
<b>Capital assets, being depreciated:</b>				
Improvements	37,293	-	-	37,293
Equipment	2,276,861	39,900	511,326	2,828,087
Utility systems	<u>28,451,525</u>	<u>321,578</u>	<u>1,657,537</u>	<u>30,430,640</u>
	30,765,679	361,478	2,168,863	33,296,020
Less accumulated depreciation for:				
Improvements	(27,236)	(1,425)	-	(28,661)
Equipment	(1,212,328)	(90,987)	-	(1,303,315)
Utility systems	<u>(5,570,580)</u>	<u>(637,677)</u>	-	<u>(6,208,257)</u>
Total accumulated depreciation	<u>(6,810,144)</u>	<u>(730,089)</u>	-	<u>(7,540,233)</u>
Total capital assets, being depreciated, net	<u>23,955,535</u>	<u>(368,611)</u>	<u>2,168,863</u>	<u>25,755,787</u>
Business-type activities, capital assets, net	<u>\$26,830,502</u>	<u>\$ (152,780)</u>	<u>\$ -</u>	<u>\$26,677,722</u>

Depreciation was charged to business-type activity functions as follows:

Water	\$205,588
Sewer	<u>524,501</u>
Total depreciation – business-type activities	<u>\$730,089</u>

**NOTE 6: UNEARNED REVENUE**

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the City reported \$ -0- in unearned revenue for non-current notes receivable.

**NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Unavailable revenues from property taxes in the general fund and the debt service fund at September 30, 2018 were \$87,803 and \$17,286, respectively.

In governmental activities, deferred outflows of resources consist of \$55,663 and \$7,450 of deferred charges related to pension liabilities and OPEB liabilities. Deferred inflows related to pensions are \$82,087 at September 30, 2018.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT**

***Changes in Long-term Liabilities***

During the year ended September 30, 2018, the following changes occurred in liabilities reported in the long-term debt in governmental activities:

	Balance at October 1, 2017	<u>Additions</u>	<u>Reductions</u>	Balance at September 30, 2018	Amounts Due Within One Year
Capital lease obligation	\$ 188,729	\$ -	\$ (69,399)	\$ 119,330	\$ 70,895
General obligation debt	<u>8,850,000</u>	<u>1,000,000</u>	<u>(270,000)</u>	<u>9,580,000</u>	<u>475,000</u>
	<u>\$9,038,729</u>	<u>\$1,000,000</u>	<u>\$(339,399)</u>	<u>\$9,699,330</u>	<u>\$545,895</u>

During the year ended September 30, 2018, the following changes occurred in liabilities reported in the long-term debt in business-type activities:

	Balance at October 1, 2017	<u>Additions</u>	<u>Reductions</u>	Balance at September 30, 2018	Amounts Due Within One Year
Water meter deposits	\$ 211,442	\$ 45,085	\$ (40,455)	\$ 216,072	\$ 20,000
Capital lease obligation	477,220	-	(63,039)	414,181	71,729
Revenue bonds	<u>8,586,042</u>	<u>-</u>	<u>(454,000)</u>	<u>8,132,042</u>	<u>476,000</u>
	<u>\$9,274,704</u>	<u>\$ 45,085</u>	<u>\$(557,494)</u>	<u>\$8,762,295</u>	<u>\$567,729</u>

**Primary Government**

***General Obligation Bonds***

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for general government activities.

Certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are issued as 25-year serial bonds, with varying amounts of principal maturing each year.

In September 2018, the City authorized the issuance of the City of Los Fresnos, Tax Notes, Series 2018 in the amount of \$1,000,000. The certificates were issued for the purpose of funding construction of the new City administration building. The certificates bear interest of 2.93% and interest is payable annually on February and August 1<sup>st</sup> of each year. The certificates mature on February 1, 2025.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT (Continued)**

Certificates of obligation currently outstanding are as follows:

**Governmental Activities**

<u>Series</u>	<u>Original Balance</u>	<u>Interest Rate(s)</u>	<u>Balance at October 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2018</u>	<u>Amounts Due Within One Year</u>
Series 2005 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$2,100,000	3.6%	\$1,055,000	\$ -	\$110,000	\$ 945,000	\$115,000
Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$3,045,000	2.75%	2,995,000	-	160,000	2,835,000	145,000
Series 2017 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$4,800,000	2.84%	4,800,000	-	-	4,800,000	80,000
Texas Tax Note Series 2018	\$1,000,000	2.93%	-	<u>1,000,000</u>	-	<u>1,000,000</u>	<u>135,000</u>
			<u>\$8,850,000</u>	<u>\$1,000,000</u>	<u>\$270,000</u>	<u>\$9,580,000</u>	<u>\$475,000</u>

The annual debt service requirements to maturity for Certificates of obligation, including interest of \$2,437,401 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 475,000	\$ 286,042	\$ 761,042
2020	500,000	295,065	795,065
2021	560,000	277,089	837,089
2022	615,000	257,316	872,316
2023	675,000	235,727	910,727
2024-2028	3,650,000	815,591	4,465,591
2029-2033	2,870,000	265,577	3,135,577
2034-2035	<u>235,000</u>	<u>4,994</u>	<u>239,994</u>
	<u>\$9,580,000</u>	<u>\$2,437,401</u>	<u>\$12,017,401</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT (Continued)**

**Business-Type Activities**

**Revenue Bonds**

Series	Original Balance	Interest Rate(s)	Balance at October 1, 2017	Additions	Reductions	Balance at September 30, 2018	Amounts Due Within One Year
Series 1984 Waterworks and Sewer System Revenue Bonds	\$ 590,000	5.0%	\$ 174,000	\$ -	\$ 27,000	\$ 147,000	\$ 27,000
Series 1984A Waterworks and Sewer System Revenue Bonds	\$ 40,000	9.5%	6,850	-	1,000	5,850	1,000
Series 1985 Waterworks and Sewer System Revenue Bonds	\$ 82,000	10.0%	33,192	-	4,000	29,192	5,000
Series 2002 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$ 360,000	3.81% - 5.76%	135,000	-	25,000	110,000	25,000
Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$2,200,000	2.75%	1,885,000	-	40,000	1,845,000	40,000
Series 2009 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$4,975,000	0.00%	4,405,000	-	190,000	4,215,000	190,000
Series 2009 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$ 391,000	5.11%	277,000	-	17,000	260,000	18,000
Series 2015 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$1,000,000	0.36%-1.68%	925,000	-	75,000	850,000	75,000
Series 2015A Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$ 820,000	0.34%-1.38%	<u>745,000</u>	<u>-</u>	<u>75,000</u>	<u>670,000</u>	<u>95,000</u>
			<u>\$8,586,042</u>	<u>\$ -</u>	<u>\$454,000</u>	<u>\$8,132,042</u>	<u>\$476,000</u>

The annual debt service requirements to maturity for Revenue Bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 476,000	\$ 124,782	\$ 600,782
2020	527,000	117,672	644,672
2021	543,000	109,734	652,734
2022	550,000	100,695	650,695
2023	521,042	91,755	612,797
2024-2028	1,795,000	364,386	2,159,386
2029-2033	1,335,000	278,534	1,613,534
2034-2038	1,365,000	216,325	1,581,325
2039-2043	600,000	145,138	745,138
2044-2048	420,000	63,325	483,325
2049	-	<u>1,913</u>	<u>1,913</u>
	<u>\$8,132,042</u>	<u>\$1,614,259</u>	<u>\$9,746,301</u>



**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT (Continued)**

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. Proceeds from the revenue bonds were used for the construction of improvements and extensions to the City’s combined waterworks and sewer system.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least equal to the annual debt service requirements.

In October 2009, the City Council authorized the issuance of the City of Los Fresnos, Texas Combination Tax and Subordinate Lien and Revenue Certificates of Obligation, Series 2009 in the amount of \$391,000. The certificates were issued for the purpose of funding EDAP projects for first-time wastewater services. The certificates bear interest of between 4.21% and 5.31% and interest is payable annually on February and August 15 of each year. The certificates mature on August 15, 2029.

**Capital Lease Obligation**

In June 2012, the City entered into a lease-purchase agreement with Suntrust Equipment Finance & Leasing Corp. for the purchase of Water Meters. Lease payments are due annually beginning June 22, 2013.

In August 2012, the City entered into a lease-purchase agreement with Suntrust Equipment Finance & Leasing Corp. for the purchase of Motorola radio communications equipment. Lease payments are due annually beginning August 31, 2013.

In June 2014, the City entered into a lease-purchase agreement with Suntrust Equipment Finance & Leasing Corp. for the purchase of street sweeper equipment. Lease payments are due annually beginning October 15, 2014.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the next minimum lease payments as of September 30, 2018.

	Governmental Activities			Business-Type
	Radio Equipment Lease	Street Sweeper Lease	Total	Activities Water Meter Lease
Year ending September 30,				
2019	\$ 49,525	\$ 23,989	\$ 73,514	\$ 83,672
2020	49,525	-	49,525	83,672
2021	-	-	-	83,672
2022	-	-	-	83,672
2023	-	-	-	83,672
2024	-	-	-	<u>38,514</u>
Total minimum lease payments	99,050	23,989	123,039	456,874
Less the amount representing interest	<u>(3,245)</u>	<u>(464)</u>	<u>(3,709)</u>	<u>(42,693)</u>
Present value of net minimum lease payments	<u>\$ 95,805</u>	<u>\$ 23,525</u>	<u>\$119,330</u>	<u>\$414,181</u>

**NOTE 9: INTERFUND ASSETS/LIABILITIES**

Due/to from within the primary government:

	Governmental Activities			Business-type Activities	Primary Government
	General Fund	Other Governmental Funds	Total	Water Sewer Fund	Total
<u>Interfund Payable/Receivable</u>					
<i>Governmental Activities</i>					
General Fund (including payroll fund)	\$ 137,978	\$288,991	\$ 426,969	\$ -	\$ 426,969
Other Governmental Funds	<u>47,389</u>	<u>-</u>	<u>47,389</u>	<u>199,503</u>	<u>246,892</u>
	185,367	288,991	474,358	199,503	673,861
<i>Business-type Activities</i>					
Water/Sewer Fund	<u>962,142</u>	<u>-</u>	<u>962,142</u>	<u>-</u>	<u>962,142</u>
	<u>\$1,147,509</u>	<u>\$288,991</u>	<u>\$1,436,500</u>	<u>\$199,503</u>	<u>\$1,636,003</u>

Due/to from primary government/component unit:

<u>Payable Fund</u>	<u>Receivable Fund</u>
CDC	General
	<u>\$ 174</u>

**NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES**

The City participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

Audits of all of these programs including the year ended September 30, 2018 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City was assessed the 2017-2018 operations and maintenance and debt service requirement by the Southmost Regional Water Authority under the terms of its contract. The City's share of the operations and maintenance and debt service assessment was \$106,410 and \$51,290, respectively.

For the year ending September 30, 2018, the City did not use any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes in accordance with Texas Water Code, Chapter 16, Section 16.356(a).

**Construction Commitments**

	Original Amount	Expensed	Balance	Retainage	Commitment
TWDB – CWSRF Loan - Wastewater Treatment Plant	\$4,975,000	\$3,012,992	\$1,962,008	\$ -	\$1,962,008

**NOTE 11: TRANSFERS**

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

**NOTE 12: RISK MANAGEMENT**

The City of Los Fresnos is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors-and-omissions; catastrophes, and medical claims by employees; job-related illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There has been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool.

The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$374,000,000 (as of September 30, 2018, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on type of insurance coverage. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

**NOTE 13: PENSION PLANS**

**A. Plan Description**

The City of Los Fresnos, Texas 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 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.

**B. 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.

**NOTE 13: PENSION PLANS (Continued)**

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

***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	35
Active employees	<u>55</u> 106

**C. Contributions**

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

Employees for the City of Los Fresnos, Texas were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Los Fresnos, Texas were 1.69% and 3.28% in calendar year 2017 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2018 were \$53,440, and were equal to the required contributions.

**D. Net Pension Liability**

The City’s Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

**NOTE 13: PENSION PLANS (Continued)**

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 Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, 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 arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
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	<u>100.0%</u>	

**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 Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 13: PENSION PLANS (Continued)**

**Net Pension Asset**

	Increase (Decrease)		
	(a)	(b)	(a) – (b)
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at December 31, 2016	\$3,257,358	\$3,452,331	\$ (194,973)
Changes for the year			
Service cost	139,534	-	139,534
Interest	228,134	-	228,134
Change in benefit terms	112,157	-	112,157
Difference between expected/actual experience	3,108	-	3,108
Changes of assumptions	-	-	-
Contributions – employer	-	29,085	(29,085)
Contributions – employee	-	95,050	(95,050)
Net investment income	-	478,542	(478,542)
Benefit payments, including refunds of employee contributions	(119,048)	(119,048)	-
Administrative expenses	-	(2,480)	2,480
Other charges	-	(118)	118
Net changes	<u>363,885</u>	<u>481,031</u>	<u>(117,146)</u>
Balance at December 31, 2017	<u>\$3,621,243</u>	<u>\$3,933,362</u>	<u>\$(312,119)</u>

Net pension asset amounts are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of the asset is \$204,715 and the business-type portion is \$107,404.

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

The following presents the net pension asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability/(asset) would have been 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 <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
City's net pension liability/(asset)	\$196,313	\$(312,119)	\$(730,122)

**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.tmr.com](http://www.tmr.com).

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 13: PENSION PLANS (Continued)**

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

For the year ended September 30, 2018 the City recognized pension expense in the amount of \$162,646. At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ 5,893	\$ 23,160
Changes in actuarial assumptions	34,992	-
Differences between projected and actual investment earnings (net of current year amortization)	-	101,992
Contributions subsequent to the measurement date	<u>45,118</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 86,003</u></b>	<b><u>\$125,152</u></b>

\$45,118 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 11,723
2020	5,475
2021	(53,039)
2022	(48,492)
2023	66
Thereafter	-

**NOTE 14: OTHER POST EMPLOYMENT BENEFITS**

***Plan Description and Benefits***

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which 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). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>55</u>
	80

***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.

Employees for the City of Los Fresnos were required to contribute 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City of Los Fresnos were 0.16% and 0.17% in calendar year 2017 and 2018, respectively. The City’s contributions to the SDBF for the year ended September 30, 2018 were \$3,337, and were equal to the required contributions.



**NOTE 14: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Actuarial assumptions:***

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2017
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates- disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*the discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2017.

***Actuarial assumptions- continued:***

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

***Total OPEB Liability***

The City's Total OPEB Liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 14: OTHER POST EMPLOYMENT BENEFITS (Continued)**

The following presents a summary of the changes in Total OPEB liability:

	Increase (Decrease) Total OPEB Liability <u>(a)</u>
Balance at December 31, 2016	\$100,496
Changes for the year:	
Service cost	5,323
Interest	3,889
Change in benefit terms	-
Difference between expected/actual experience	-
Changes of assumptions	10,466
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(570)
Administrative expenses	-
Other charges	-
Net changes	<u>19,108</u>
Balance at December 31, 2017	<u>\$119,604</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City’s total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

	1% Decrease in Discount Rate <u>(2.31%)</u>	Discount Rate <u>(3.31%)</u>	1% Increase in Discount Rate <u>(4.31%)</u>
City’s total OPEB liability	\$147,218	\$119,604	\$ 98,761

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 14: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***OPEB Expense and Deferred Outflows of Resources Related to OPEB***

For the year ended September 30, 2018 the City recognized combined OPEB expense in the amount of \$10,786. At September 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ -
Changes in actuarial assumptions	8,892	-
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	<u>2,466</u>	<u>-</u>
Total	<u>\$ 11,358</u>	<u>\$ -</u>

\$2,466 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ending September 30,

2019	\$ 1,574
2020	1,574
2021	1,574
2022	1,574
2023	1,574
Thereafter	1,022

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 15: FUND BALANCE**

Nonspendable – These funds were used for prepaid items.

Restricted – External parties have restricted these funds to be used for their intended purpose.

Unassigned – The unassigned fund balance has no constraints.

	General <u>Fund</u>	CO Series 2017 <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Fund balance				
Nonspendable	\$ 1,568	-	-	\$ 1,568
Restricted				
Debt service	-	-	27,382	27,382
Hike and Bike Project	-	-	5,534	5,534
TIFRZ	-	-	434,217	434,217
Capital projects	-	4,199,421	1,094,808	5,294,229
Unassigned	<u>1,318,767</u>	<u>-</u>	<u>-</u>	<u>1,318,767</u>
	<u>\$1,320,335</u>	<u>\$4,199,421</u>	<u>\$1,561,941</u>	<u>\$7,081,697</u>

**NOTE 16: NET POSITION**

Net position is composed of three categories: Net investment in capital assets, Restricted and Unrestricted.

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$9,395,950	\$26,677,722
Less related liabilities (bonds and capital leases)	(9,699,330)	(8,473,223)
Restricted cash (unexpended bond proceeds)	<u>5,243,704</u>	<u>3,253,450</u>
Net investment in capital assets – total	4,940,324	21,457,949
Restricted net position consists of the following:		
Restricted for debt service	27,454	476,000
Restricted for Hike and Bike project	5,534	-
Restricted for TIFRZ	<u>434,217</u>	<u>-</u>
Restricted net position – total	467,205	476,000
Unrestricted net position	<u>1,426,892</u>	<u>352,683</u>
Total net position	<u>\$6,834,421</u>	<u>\$22,286,632</u>

**NOTE 17: PRIOR PERIOD ADJUSTMENT**

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the City must report their total OPEB liability under the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The prior period adjustment totaled \$(64,491) and \$(33,834) for governmental activities and business-type activities, respectively. The prior period adjustment resulted in a restated beginning net position balance of \$5,702,002 and \$22,159,477 for governmental activities and business-type activities, respectively.

During fiscal year 2018, the City was required to return grant funds received in prior years to the Valley Baptist Legacy Foundation. The prior period adjustment totaled \$(417,260), respectively. The prior period adjustment resulted in a restated beginning net position balance of \$5,702,002 for governmental activities.

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**REQUIRED SUPPLEMENTARY INFORMATION**

City of Los Fresnos, Texas  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND**  
 For the fiscal year ended September 30, 2018

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,329,482	\$ 1,324,482	\$ 1,347,115	\$ 22,633
Nonproperty taxes	1,338,023	1,327,360	1,462,497	135,137
Charges for services	287,500	287,500	282,460	(5,040)
Fines and forfeitures	494,500	465,900	569,683	103,783
Intergovernmental	130,515	232,956	262,679	29,723
Licenses and permits	83,750	83,750	109,991	26,241
Contributions and donations	-	-	6,250	6,250
Miscellaneous and program revenues	67,170	67,170	84,446	17,276
Interest and investment income	5,000	5,000	20,078	15,078
<b>Total revenues</b>	<b>3,735,940</b>	<b>3,794,118</b>	<b>4,145,199</b>	<b>351,081</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	583,401	602,208	584,825	17,383
Public safety	1,845,955	1,849,076	1,755,205	93,871
Highways and streets	255,902	258,152	271,273	(13,121)
Health and welfare	340,011	340,011	287,430	52,581
Culture and recreation	554,593	535,284	478,571	56,713
Capital outlay	72,120	446,563	419,577	26,986
<b>Debt service</b>				
Principal retirement	69,399	69,399	69,399	-
Interest and fiscal agent fees	4,115	4,115	4,115	-
<b>Total expenditures</b>	<b>3,725,496</b>	<b>4,104,808</b>	<b>3,870,395</b>	<b>234,413</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,444</b>	<b>(310,690)</b>	<b>274,804</b>	<b>585,494</b>
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	(69,070)	(69,070)	(75,740)	(6,670)
<b>Total other financing sources (uses)</b>	<b>(69,070)</b>	<b>(69,070)</b>	<b>(75,740)</b>	<b>(6,670)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (58,626)</b>	<b>\$ (379,760)</b>	<b>199,064</b>	<b>\$ 578,824</b>
Fund balance, beginning of year			1,121,271	
Fund balance, end of year			\$ 1,320,335	



**City of Los Fresnos, Texas**  
**Notes to Required Supplementary Information**

*1. Budgetary Information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which adopt project - length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water and Sewer funds.

Accounting principles generally accepted in the United States of America require that budgetary schedules be reported for the General Fund and all funds with a legally adopted budget. The City prepares legally adopted annual budgets for the General Fund, Debt Service Fund, Tax Increment Financing Reinvestment Zone Fund and Water and Sewer Fund.

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter total appropriations must be approved by the City Council. Therefore, the legal level of budgetary responsibility is at the total expenditures level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Council.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

*2. Expenditures Over Appropriations*

At September 30, 2018, expenditures exceeded appropriations by the following amounts:

Highways and Streets	\$(13,121)
----------------------	------------

Total expenditures were less than appropriations in the amount of \$234,413, which is the legal level of budgetary control for the City.

**City of Los Fresnos, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

	Plan Year Ended December 31,			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 139,534	\$ 135,370	\$ 132,364	\$ 113,965
Interest (on the total pension liability)	228,134	206,454	189,750	176,304
Changes of benefit terms	112,157	-	-	-
Difference between expected and actual experience	3,108	(28,718)	9,172	(46,512)
Changes of assumptions	-	-	94,635	-
Benefit payments, including refunds of employee contributions	<u>(119,048)</u>	<u>(93,273)</u>	<u>(65,845)</u>	<u>(55,907)</u>
Net change in total pension liability	363,885	219,833	360,076	187,850
Total pension liability – beginning	<u>3,257,358</u>	<u>3,037,525</u>	<u>2,677,449</u>	<u>2,489,599</u>
Total pension liability – ending (a)	<u>\$3,621,243</u>	<u>\$3,257,358</u>	<u>\$3,037,525</u>	<u>\$2,677,449</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	\$ 29,085	\$ 15,266	\$ 19,310	\$ 18,441
Contributions – employee	95,050	91,964	92,822	83,081
Net investment income	478,542	217,879	4,685	169,445
Benefit payments, including refunds of employee contributions	(119,048)	(93,273)	(65,845)	(55,907)
Administrative expense	(2,480)	(2,460)	(2,854)	(1,769)
Other	<u>(118)</u>	<u>(134)</u>	<u>(141)</u>	<u>(145)</u>
Net change in plan fiduciary net position	481,031	229,242	47,977	213,146
Plan fiduciary net position – beginning	<u>3,452,331</u>	<u>3,223,089</u>	<u>3,175,112</u>	<u>2,961,966</u>
Plan fiduciary net position – ending (b)	<u>\$3,933,362</u>	<u>\$3,452,331</u>	<u>\$3,223,089</u>	<u>\$3,175,112</u>
Net pension asset – ending (a) – (b)	<u>\$ (312,119)</u>	<u>\$ (194,973)</u>	<u>\$ (185,564)</u>	<u>\$ (497,663)</u>
Plan fiduciary net position as a percentage of total pension liability	108.62%	105.99%	106.11%	118.59%
Covered payroll	\$1,901,009	\$1,839,272	\$1,856,439	\$1,661,620
Net pension liability as a percentage of covered payroll	(16.42)%	(10.60)%	(10.00)%	(29.95)%

***GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.***

**City of Los Fresnos, Texas**  
**Schedule of Contributions**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

	Fiscal Year Ended September 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 53,440	\$ 28,098	\$ 19,327	\$ 21,264
Contributions in relation to actuarially determined contribution	<u>(53,440)</u>	<u>(28,098)</u>	<u>(19,327)</u>	<u>(21,264)</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
Covered payroll	\$1,994,672	\$1,747,441	\$1,831,044	\$1,748,798
Contributions as a percentage of covered payroll	2.68%	1.61%	1.06%	1.22%

**City of Los Fresnos, Texas**  
**Notes to Schedule of Contributions**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:** There were no benefit changes during the year.

***GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.***

City of Los Fresnos, Texas  
**Schedule of Changes in Total OPEB Liability and Related Ratios  
 For Agent Multiple Employer Pension Plan –  
 Texas Municipal Retirement System**

	Plan Year Ended <u>December 31, 2017</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 5,323
Interest (on the total OPEB liability)	3,889
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	10,466
Benefit payments, including refunds of employee contributions	<u>(570)</u>
<b>Net change in total OPEB liability</b>	19,108
<b>Total OPEB liability, beginning</b>	<u>100,496</u>
<b>Total OPEB liability, ending (a)</b>	\$ <u>119,604</u>
<b>Covered payroll</b>	\$ <u>1,901,009</u>
<b>Total OPEB liability as a percentage of covered payroll</b>	6.29%



**OTHER SUPPLEMENTARY  
INFORMATION**

City of Los Fresnos, Texas  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
September 30, 2018

	Special Revenue Fund	Capital Projects Fund					Debt Service Fund	Total
	Tax Increment Financing Reinvestment Zone	Tax Note Series 2018 Fund	CO Series 2014 Fund	TXCDBG 7216300 Grant Fund	TXCDBG 712044 Grant Fund	Hike and Bike Fund		Non Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 125,322	\$ -	\$ -	\$ -	\$ 8,588	\$ -	\$ 60,472	\$ 194,382
Restricted cash	-	936,002	193,961	-	-	5,534	-	1,135,497
Receivables (net of allowance for uncollectibles)								
Property taxes receivable	-	-	-	-	-	-	18,346	18,346
Due from other governments	89,961	-	-	9,365	167,399	-	-	266,725
Due from other funds	254,684	-	-	-	-	-	10,850	265,534
<b>TOTAL ASSETS</b>	<b>\$ 469,967</b>	<b>\$ 936,002</b>	<b>\$ 193,961</b>	<b>\$ 9,365</b>	<b>\$ 175,987</b>	<b>\$ 5,534</b>	<b>\$ 89,668</b>	<b>\$ 1,880,484</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ 9,365	\$ -	\$ -	\$ -	\$ 9,365
Due to other funds	35,750	-	85,680	-	125,462	-	45,000	291,892
<b>TOTAL LIABILITIES</b>	<b>35,750</b>	<b>-</b>	<b>85,680</b>	<b>9,365</b>	<b>125,462</b>	<b>-</b>	<b>45,000</b>	<b>301,257</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	-	-	-	-	-	-	17,286	17,286
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,286</b>	<b>17,286</b>
<b>FUND BALANCE</b>								
Restricted for:								
Debt service	-	-	-	-	-	-	27,382	27,382
Hike and Bike project	-	-	-	-	-	5,534	-	5,534
TIFRZ	434,217	-	-	-	-	-	-	434,217
Capital projects	-	936,002	108,281	-	50,525	-	-	1,094,808
<b>Total fund balance</b>	<b>434,217</b>	<b>936,002</b>	<b>108,281</b>	<b>-</b>	<b>50,525</b>	<b>5,534</b>	<b>27,382</b>	<b>1,561,941</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 469,967</b>	<b>\$ 936,002</b>	<b>\$ 193,961</b>	<b>\$ 9,365</b>	<b>\$ 175,987</b>	<b>\$ 5,534</b>	<b>\$ 89,668</b>	<b>\$ 1,880,484</b>

City of Los Fresnos, Texas  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the fiscal year ended September 30, 2018

	Special Revenue Fund		Capital Projects Fund				Debt Service Fund	Total Non Major Governmental Funds
	Tax Increment Financing Reinvestment Zone	Tax Note Series 2018 Fund	CO Series 2014 Fund	TXCDBG 7216300 Grant Fund	TXCDBG 712044 Grant Fund	Hike and Bike Fund		
<b>Revenues</b>								
Property taxes	\$290,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$236,911	\$ 527,269
Intergovernmental	-	-	-	83,206	167,400	-	-	250,606
Miscellaneous and program revenues	-	-	-	-	-	-	45,000	45,000
Interest and investment income	800	2	-	-	-	3,309	331	4,442
<b>Total revenues</b>	<b>291,158</b>	<b>2</b>	<b>-</b>	<b>83,206</b>	<b>167,400</b>	<b>3,309</b>	<b>282,242</b>	<b>827,317</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	10,000	-	-	-	-	-	-	10,000
Capital outlay	-	-	-	118,103	314,522	-	-	432,625
Bond issuance costs	-	64,000	-	-	-	-	-	64,000
<b>Debt service</b>								
Principal	-	-	-	-	-	-	270,000	270,000
Interest	-	-	-	-	-	-	282,601	282,601
Administrative charges	-	-	-	-	-	-	2,369	2,369
<b>Total expenditures</b>	<b>10,000</b>	<b>64,000</b>	<b>-</b>	<b>118,103</b>	<b>314,522</b>	<b>-</b>	<b>554,970</b>	<b>1,061,595</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>281,158</b>	<b>(63,998)</b>	<b>-</b>	<b>(34,897)</b>	<b>(147,122)</b>	<b>3,309</b>	<b>(272,728)</b>	<b>(234,278)</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	(13,086)	-	-	276,324	263,238
Transfers out	(187,499)	-	-	-	-	-	-	(187,499)
Bond issuance	-	1,000,000	-	-	-	-	-	1,000,000
<b>Total other financing sources (uses)</b>	<b>(187,499)</b>	<b>1,000,000</b>	<b>-</b>	<b>(13,086)</b>	<b>-</b>	<b>-</b>	<b>276,324</b>	<b>1,075,739</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>93,659</b>	<b>936,002</b>	<b>-</b>	<b>(47,983)</b>	<b>(147,122)</b>	<b>3,309</b>	<b>3,596</b>	<b>841,461</b>
Fund balance, beginning of year	340,558	-	108,281	47,983	197,647	419,485	23,786	1,137,740
Prior period adjustment	-	-	-	-	-	(417,260)	-	(417,260)
Fund balance, beginning of year as restated	340,558	-	108,281	47,983	197,647	2,225	23,786	720,480
<b>Fund balance, end of year</b>	<b>\$434,217</b>	<b>\$ 936,002</b>	<b>\$ 108,281</b>	<b>\$ -</b>	<b>\$ 50,525</b>	<b>\$ 5,534</b>	<b>\$ 27,382</b>	<b>\$ 1,561,941</b>



City of Los Fresnos, Texas  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 691,407	\$ 913,677
Receivables (net of allowance for uncollectibles)		
Property taxes	100,984	94,133
Nonproperty taxes	107,696	94,942
Due from other governments	110,816	39,028
Service	122,566	97,923
Other	3,801	-
Prepaid expenses	1,568	-
Due from other funds	1,147,509	732,107
Due from component unit	174	7,654
<b>TOTAL ASSETS</b>	<b>\$ 2,286,521</b>	<b>\$ 1,979,464</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 463,425	\$ 405,866
Accrued expenditures	32,989	35,871
Due to other funds	381,969	332,043
<b>TOTAL LIABILITIES</b>	<b>878,383</b>	<b>773,780</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	87,803	84,413
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>87,803</b>	<b>84,413</b>
<b>FUND BALANCE</b>		
Nonspendable	1,568	-
Unassigned	1,318,767	1,121,271
<b>Total fund balance</b>	<b>1,320,335</b>	<b>1,121,271</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,286,521</b>	<b>\$ 1,979,464</b>

**GENERAL FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
<b>Revenues</b>		
Property taxes	\$ 1,347,115	\$ 1,152,080
Nonproperty taxes	1,462,497	1,345,810
Charges for services	282,460	342,083
Fines and forfeitures	569,683	524,372
Intergovernmental	262,679	201,768
Licenses and permits	109,991	80,166
Contributions and donations	6,250	-
Miscellaneous and program revenues	84,446	85,768
Interest and investment income	20,078	9,650
<b>Total revenues</b>	<b>4,145,199</b>	<b>3,741,697</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	584,825	542,256
Public safety	1,755,205	1,640,244
Highways and streets	271,273	258,422
Health and welfare	287,430	302,736
Culture and recreation	478,571	444,275
Capital outlay	419,577	297,412
<b>Debt service</b>		
Principal retirement	69,399	67,934
Interest and fiscal agent fees	4,115	5,579
<b>Total expenditures</b>	<b>3,870,395</b>	<b>3,558,858</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>		
<b>OVER (UNDER) EXPENDITURES</b>	<b>274,804</b>	<b>182,839</b>
<b>Other financing sources (uses)</b>		
Transfer out	(75,740)	(47,983)
<b>Total other financing sources (uses)</b>	<b>(75,740)</b>	<b>(47,983)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>199,064</b>	<b>134,856</b>
Fund balance, beginning of year	1,121,271	986,415
<b>Fund balance, end of year</b>	<b>\$ 1,320,335</b>	<b>\$ 1,121,271</b>

City of Los Fresnos, Texas  
**TAX INCREMENT FINANCING REINVESTMENT ZONE**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 125,322	\$ 108,763
Receivables		
Due from other governments	89,961	93,457
Due from other funds	254,684	164,088
<hr/>		
TOTAL ASSETS	\$ 469,967	\$ 366,308
<hr/>		
<b>LIABILITIES</b>		
Due to other funds	\$ 35,750	\$ 25,750
Total liabilities	35,750	25,750
<hr/>		
<b>FUND BALANCE</b>		
Restricted for:		
TIFRZ	434,217	340,558
<hr/>		
Total fund balance	434,217	340,558
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 469,967	\$ 366,308
<hr/>		

City of Los Fresnos, Texas  
**TAX INCREMENT FINANCING REINVESTMENT ZONE**  
**SPECIAL REVENUE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
Revenues		
Property taxes	<b>\$ 290,358</b>	\$ 188,972
Interest and investment income	<b>800</b>	342
Total revenues	<b>291,158</b>	189,314
Expenditures		
General government	<b>10,000</b>	1,000
Total expenditures	<b>10,000</b>	1,000
Excess (deficiency) of revenues over (under) expenditures	<b>281,158</b>	188,314
Other financing sources (uses)		
Transfers out	<b>(187,499)</b>	-
Total other financing sources (uses)	<b>(187,499)</b>	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>93,659</b>	188,314
Fund balance, beginning of year	<b>340,558</b>	152,244
Fund balance, end of year	<b>\$ 434,217</b>	\$ 340,558

City of Los Fresnos, Texas  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 TAX INCREMENT FINANCING REINVESTMENT ZONE**  
 For the fiscal year ended September 30, 2018

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 297,590	\$ 297,590	\$ 290,358	\$ (7,232)
Interest and investment income	-	-	800	800
<b>Total revenues</b>	<b>297,590</b>	<b>297,590</b>	<b>291,158</b>	<b>(6,432)</b>
<b>Expenditures</b>				
General government	1,000	1,000	10,000	(9,000)
<b>Total expenditures</b>	<b>1,000</b>	<b>1,000</b>	<b>10,000</b>	<b>(9,000)</b>
Excess (deficiency) of revenues over (under) expenditures	296,590	296,590	281,158	(15,432)
<b>Other financing sources (uses)</b>				
Transfers out	(187,500)	(187,500)	(187,499)	1
<b>Total other financing sources (uses)</b>	<b>(187,500)</b>	<b>(187,500)</b>	<b>(187,499)</b>	<b>1</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>109,090</b>	<b>109,090</b>	<b>93,659</b>	<b>(15,431)</b>
Fund balance, beginning of year			340,558	
Fund balance, end of year			\$ 434,217	

City of Los Fresnos, Texas  
**TAX NOTE SERIES 2018**  
**CAPITAL PROJECTS FUNDS**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Restricted cash	\$ 936,002	\$ -
<b>TOTAL ASSETS</b>	<b>\$ 936,002</b>	<b>\$ -</b>
 <b>LIABILITIES</b>		
	\$ -	\$ -
 <b>FUND BALANCE</b>		
Restricted for:		
Capital projects	936,002	-
<b>Total fund balance</b>	<b>936,002</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 936,002</b>	<b>\$ -</b>

City of Los Fresnos, Texas  
**TAX NOTE SERIES 2018**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
<b>Revenues</b>		
Interest and investment income	\$ 2	\$ -
Total revenues	<b>2</b>	-
<b>Expenditures</b>		
Current		
Bond issuance costs	<b>64,000</b>	-
Total expenditures	<b>64,000</b>	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(63,998)</b>	-
<b>Other financing sources (uses)</b>		
Bond issuance	<b>1,000,000</b>	-
Total other financing sources (uses)	<b>1,000,000</b>	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>936,002</b>	-
Fund balance, beginning of year	-	-
Fund balance, end of year	<b>\$ 936,002</b>	\$ -

City of Los Fresnos, Texas  
**CO SERIES 2014**  
**CAPITAL PROJECTS FUNDS**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Restricted cash	\$ 193,961	\$ 193,961
TOTAL ASSETS	\$ 193,961	\$ 193,961
 <b>LIABILITIES</b>		
Due to other funds	\$ 85,680	\$ 85,680
TOTAL LIABILITIES	85,680	85,680
 <b>FUND BALANCE</b>		
Restricted for:		
Capital projects	108,281	108,281
Total fund balance	108,281	108,281
TOTAL LIABILITIES AND FUND BALANCE	\$ 193,961	\$ 193,961



City of Los Fresnos, Texas  
**CO SERIES 2014**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
Revenues		
Interest and investment income	\$ -	\$ -
Total revenues	-	-
Expenditures		
Capital outlay	-	-
Total expenditures	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-
Other financing sources (uses)		
Tranfers out	-	(24,700)
Total other financing sources (uses)	-	(24,700)
NET CHANGE IN FUND BALANCES	-	(24,700)
Fund balance, beginning of year	<b>108,281</b>	132,981
Fund balance, end of year	<b>\$ 108,281</b>	\$ 108,281

City of Los Fresnos, Texas  
**CO SERIES 2017**  
**CAPITAL PROJECTS FUNDS**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Restricted cash	<b>\$ 4,175,964</b>	\$ 4,642,969
Due from other funds	<b>23,457</b>	-
<b>TOTAL ASSETS</b>	<b>\$ 4,199,421</b>	\$ 4,642,969
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 50,305
<b>TOTAL LIABILITIES</b>	-	50,305
<b>FUND BALANCE</b>		
Restricted for:		
Capital projects	<b>4,199,421</b>	4,592,664
<b>Total fund balance</b>	<b>4,199,421</b>	4,592,664
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,199,421</b>	\$ 4,642,969

City of Los Fresnos, Texas  
**CO SERIES 2017**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
Revenues		
Interest and investment income	\$ <b>78,485</b>	\$ 20,392
Total revenues	<b>78,485</b>	20,392
Expenditures		
Current		
Bond issuance costs	-	104,548
Capital outlay	<b>471,728</b>	123,180
Total expenditures	<b>471,728</b>	227,728
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<b>(393,243)</b>	(207,336)
Other financing sources (uses)		
Bond issuance	-	4,800,000
Total other financing sources (uses)	-	4,800,000
NET CHANGE IN FUND BALANCES	<b>(393,243)</b>	4,592,664
Fund balance, beginning of year	<b>4,592,664</b>	-
Fund balance, end of year	<b>\$ 4,199,421</b>	\$ 4,592,664

City of Los Fresnos, Texas  
**TXCDBG 7216300 GRANT**  
**CAPITAL PROJECTS FUNDS**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Due from other governments	\$ 9,365	\$ 167,207
Due from other funds	-	47,983
<hr/>		
TOTAL ASSETS	\$ 9,365	\$ 215,190
<hr/> <hr/>		
<b>LIABILITIES</b>		
Accounts payable	\$ 9,365	\$ 167,207
<hr/>		
TOTAL LIABILITIES	9,365	167,207
 <b>FUND BALANCE</b>		
Restricted for:		
Capital projects	-	47,983
<hr/>		
Total fund balance	-	47,983
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,365	\$ 215,190
<hr/> <hr/>		

City of Los Fresnos, Texas  
**TXCDBG 7216300 GRANT**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
Revenues		
Intergovernmental	<b>\$ 83,206</b>	\$ 195,028
Total revenues	<b>83,206</b>	195,028
Expenditures		
Capital outlay	<b>118,103</b>	195,028
Total expenditures	<b>118,103</b>	195,028
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<b>(34,897)</b>	-
Other financing sources (uses)		
Transfers in	<b>(13,086)</b>	47,983
Total other financing sources (uses)	<b>(13,086)</b>	47,983
NET CHANGE IN FUND BALANCES	<b>(47,983)</b>	47,983
Fund balance, beginning of year	<b>47,983</b>	-
Fund balance, end of year	<b>\$ -</b>	<b>\$ 47,983</b>

City of Los Fresnos, Texas  
**TXCDBG 712044 GRANT**  
**CAPITAL PROJECTS FUNDS**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,588	\$ 200,000
Due from other governments	167,399	57,815
<hr/>		
TOTAL ASSETS	\$ 175,987	\$ 257,815
<hr/> <hr/>		
<b>LIABILITIES</b>		
Due to other funds	\$ 125,462	\$ 60,168
<hr/>		
TOTAL LIABILITIES	125,462	60,168
 <b>FUND BALANCE</b>		
Restricted for:		
Capital projects	50,525	197,647
<hr/>		
Total fund balance	50,525	197,647
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 175,987	\$ 257,815
<hr/> <hr/>		

City of Los Fresnos, Texas  
**TXCDBG 712044 GRANT**  
**CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	<b>2017</b>
Revenues		
Intergovernmental	<b>\$ 167,400</b>	\$ 312,058
Total revenues	<b>167,400</b>	312,058
Expenditures		
Capital outlay	<b>314,522</b>	314,807
Total expenditures	<b>314,522</b>	314,807
NET CHANGE IN FUND BALANCES	<b>(147,122)</b>	(2,749)
Fund balance, beginning of year	<b>197,647</b>	200,396
Fund balance, end of year	<b>\$ 50,525</b>	\$ 197,647

City of Los Fresnos, Texas  
**HIKE AND BIKE FUND**  
**CAPITAL PROJECT FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	Restated 2017
<b>ASSETS</b>		
Restricted cash	\$ 5,534	\$ 437,485
<b>TOTAL ASSETS</b>	<b>\$ 5,534</b>	<b>\$ 437,485</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 18,000
Unearned revenue	-	417,260
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>435,260</b>
Fund balance		
Restricted for:		
Hike and Bike project	5,534	2,225
<b>Total fund balance</b>	<b>5,534</b>	<b>2,225</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,534</b>	<b>\$ 437,485</b>



City of Los Fresnos, Texas  
**HIKE AND BIKE FUND**  
**CAPITAL PROJECT FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	Restated 2017
<hr/>		
Revenues		
Interest and investment income	\$ <b>3,309</b>	\$ 1,876
<hr/>		
Total revenues	<b>3,309</b>	1,876
Expenditures		
Capital outlay	-	40,682
<hr/>		
Total expenditures	-	40,682
<hr/>		
NET CHANGE IN FUND BALANCES	<b>3,309</b>	(38,806)
Fund balance, beginning of year	<b>2,225</b>	41,031
<hr/>		
Fund balance, end of year	<b>\$ 5,534</b>	\$ 2,225
<hr/> <hr/>		

City of Los Fresnos, Texas  
**DEBT SERVICE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 60,472	\$ 15,140
Receivables (net of allowance for uncollectibles)		
Property taxes receivable	18,346	18,274
Due from other funds	10,850	7,586
<b>TOTAL ASSETS</b>	<b>\$ 89,668</b>	<b>\$ 41,000</b>
<b>LIABILITIES</b>		
Due to other funds	\$ 45,000	\$ -
<b>TOTAL LIABILITIES</b>	<b>45,000</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	\$ 17,286	\$ 17,214
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>17,286</b>	<b>17,214</b>
<b>FUND BALANCE</b>		
Restricted for:		
Debt service	27,382	23,786
<b>Total fund balance</b>	<b>27,382</b>	<b>23,786</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 89,668</b>	<b>\$ 41,000</b>

City of Los Fresnos, Texas  
**DEBT SERVICE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
<b>Revenues</b>		
Property taxes	<b>\$ 236,911</b>	\$ 176,262
Miscellaneous and program revenues	<b>45,000</b>	45,000
Interest and investment income	<b>331</b>	142
<b>Total revenues</b>	<b>282,242</b>	221,404
<b>Expenditures</b>		
Debt service		
Principal	<b>270,000</b>	130,000
Interest	<b>282,601</b>	122,515
Administrative charges	<b>2,369</b>	1,763
<b>Total expenditures</b>	<b>554,970</b>	254,278
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(272,728)</b>	(32,874)
<b>Other financing sources (uses)</b>		
Transfers in	<b>276,324</b>	-
<b>Total other financing sources (uses)</b>	<b>276,324</b>	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,596</b>	(32,874)
<b>Fund balance, beginning of year</b>	<b>23,786</b>	56,660
<b>Fund balance, end of year</b>	<b>\$ 27,382</b>	\$ 23,786

City of Los Fresnos, Texas  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 DEBT SERVICE FUND**  
 For the fiscal year ended September 30, 2018

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 232,607	\$ 232,607	\$ 236,911	\$ 4,304
Miscellaneous and program revenues	45,000	45,000	45,000	-
Interest and investment income	100	100	331	231
<b>Total revenues</b>	<b>277,707</b>	<b>277,707</b>	<b>282,242</b>	<b>4,535</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	270,000	270,000	270,000	-
Interest	282,776	282,776	282,601	175
Administrative charges	6,500	6,500	2,369	4,131
<b>Total expenditures</b>	<b>559,276</b>	<b>559,276</b>	<b>554,970</b>	<b>4,306</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(281,569)</b>	<b>(281,569)</b>	<b>(272,728)</b>	<b>8,841</b>
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	256,570	256,570	276,324	19,754
<b>Total other financing sources (uses)</b>	<b>256,570</b>	<b>256,570</b>	<b>276,324</b>	<b>19,754</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (24,999)</b>	<b>\$ (24,999)</b>	<b>3,596</b>	<b>\$ 28,595</b>
Fund balance, beginning of year			23,786	
Fund balance, end of year			\$ 27,382	

City of Los Fresnos, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,598,574	\$ 1,000,416
Restricted cash and cash equivalents	3,546,191	4,024,310
Service receivables, net	202,243	245,589
Due from other funds	199,503	84,880
Total current assets	<b>5,546,511</b>	5,355,195
Other noncurrent assets		
Net pension asset	<b>107,404</b>	67,097
Capital assets		
Land	<b>105,759</b>	105,759
Vehicles	<b>247,956</b>	216,766
Warehouse lot improvements	<b>37,293</b>	37,293
Furniture and equipment	<b>59,834</b>	59,834
Water treatment and distribution	<b>7,090,698</b>	5,718,296
Elevated storage tank	<b>1,533,233</b>	1,533,233
Water treatment equipment	<b>67,039</b>	58,331
Water meters	<b>840,031</b>	840,031
Water rights	<b>413,650</b>	413,650
Sanitary sewer system	<b>23,339,945</b>	22,221,903
Sewer system equipment	<b>79,992</b>	79,992
Construction in progress	<b>402,526</b>	2,355,558
	<b>34,217,956</b>	33,640,646
Accumulated depreciation	<b>(7,540,234)</b>	(6,810,144)
Total capital assets	<b>26,677,722</b>	26,830,502
Deferred outflows of resources		
Deferred outflows related to pension liabilities	<b>30,340</b>	78,740
Deferred outflows related to OPEB	<b>3,908</b>	747
Total deferred outflows of resources	<b>34,248</b>	<b>79,487</b>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	<b>\$ 32,365,885</b>	\$ 32,332,281

City of Los Fresnos, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	<b>2017</b>
<b>LIABILITIES</b>		
Current liabilities		
Current maturities of long-term debt	\$ 567,729	\$ 543,911
Accounts payable	98,742	135,786
Accrued expenses and other liabilities	128,662	137,960
Accrued interest on revenue bonds	43,191	43,191
Due to other funds	962,142	533,003
Total current liabilities	<b>1,800,466</b>	1,393,851
Long-term liabilities		
Meter deposits	196,072	191,442
OPEB liability	41,156	34,581
Capital lease payable	342,452	407,309
Revenue bonds payable	7,656,042	8,132,042
Total long-term liabilities	<b>8,235,722</b>	8,765,374
Total liabilities	<b>10,036,188</b>	10,159,225
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources		
Pension related	43,065	13,579
<b>NET POSITION</b>		
Net investment in capital assets	21,457,949	21,506,517
Restricted for debt service	476,000	454,000
Unrestricted	352,683	198,960
Total net position	<b>22,286,632</b>	22,159,477
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<b>\$ 32,365,885</b>	<b>\$ 32,332,281</b>

City of Los Fresnos, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
For the fiscal years ended September 30,

	Water	Sewer	2018	2017
Operating revenues				
Current user charges	\$ 1,263,223	\$ 1,435,812	\$ 2,699,035	\$ 2,628,246
Penalties	73,700	-	73,700	54,706
Total operating revenues	1,336,923	1,435,812	2,772,735	2,682,952
Operating expenses				
Administration	402,635	504,169	906,804	1,102,932
Employee benefits	125,563	125,563	251,126	203,923
Materials and supplies	124,257	82,581	206,838	174,797
Repairs and maintenance	98,839	103,301	202,140	428,498
Water purchases	34,517	-	34,517	41,603
Other operating expenses	186,284	35,513	221,797	200,387
Depreciation	205,588	524,501	730,089	717,433
Total operating expenses	1,177,683	1,375,628	2,553,311	2,869,573
Operating income (loss)	159,240	60,184	219,424	(186,621)
Nonoperating revenues (expenses)				
Interest income	51,816	-	51,816	21,760
Interest expense	(123,353)	(20,732)	(144,085)	(151,232)
Total nonoperating revenues (expenses)	(71,537)	(20,732)	(92,269)	(129,472)
Net income (loss) before transfers	87,703	39,452	127,155	(316,093)
Transfers in	3,034,893	-	3,034,893	456,456
Transfers out	(3,034,893)	-	(3,034,893)	(431,756)
Total transfers and capital contributions	-	-	-	24,700
<b>CHANGE IN NET POSITION</b>	<b>\$ 87,703</b>	<b>\$ 39,452</b>	<b>127,155</b>	<b>(291,393)</b>
Net position, beginning of year			22,193,311	22,484,704
Prior period adjustment			(33,834)	-
Net position, beginning of year, as restated			22,159,477	22,484,704
Net position, end of year			<b>\$ 22,286,632</b>	<b>\$ 22,193,311</b>

City of Los Fresnos, Texas  
**WATER AND SEWER FUND**  
**ENTERPRISE FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
Cash flows from operating activities		
Receipts from customers	<b>\$ 2,706,088</b>	\$ 2,643,364
Payments to suppliers	<b>(1,180,000)</b>	(1,455,410)
Payments to employees	<b>(219,431)</b>	(64,928)
Net cash provided by operating activities	<b>1,306,657</b>	1,123,026
Cash flows from noncapital financing activities		
Transfers in	<b>3,034,893</b>	456,456
Transfers out	<b>(3,034,893)</b>	(431,756)
Net cash provided by noncapital financing activities	-	24,700
Cash flows from capital and related financing activities		
Purchase of capital assets	<b>(577,310)</b>	(1,038,013)
Principal paid on long-term debt	<b>(517,039)</b>	(456,441)
Interest paid on long-term debt	<b>(144,085)</b>	(151,232)
Net cash (used) by capital and related financing activities	<b>(1,238,434)</b>	(1,645,686)
Cash flows from (to) investing activities		
Interest income received	<b>51,816</b>	21,760
Net cash provided by investing activities	<b>51,816</b>	21,760
Net increase (decrease) in cash and cash equivalents	<b>120,039</b>	(476,200)
Cash and cash equivalents, beginning of year	<b>5,024,726</b>	5,500,926
Cash and cash equivalents, end of year	<b>\$ 5,144,765</b>	\$ 5,024,726
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<b>\$ 219,424</b>	\$ (186,621)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	<b>730,090</b>	717,433
(Increase) decrease in receivables	<b>43,346</b>	(46,525)
(Increase) decrease in due from other funds	<b>314,516</b>	441,810
(Increase) decrease in net pension asset	<b>(40,307)</b>	(3,238)
(Increase) decrease in deferred outflows	<b>45,239</b>	21,745
Increase (decrease) in accounts payable	<b>(37,044)</b>	50,997
Increase (decrease) in accrued expenses and other liabilities	<b>(9,298)</b>	116,040
Increase (decrease) in meter deposits	<b>4,630</b>	6,937
Increase (decrease) in OPEB liability	<b>6,575</b>	-
Increase (decrease) in deferred inflows	<b>29,486</b>	4,448
Net cash provided by operating activities	<b>\$ 1,306,657</b>	\$ 1,123,026



City of Los Fresnos, Texas  
**COMMUNITY DEVELOPMENT CORPORATION**  
**COMPONENT UNIT**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2018</b>	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 238,344	\$ 274,818
Sales taxes receivable	35,659	28,627
<b>TOTAL ASSETS</b>	<b>\$ 274,003</b>	<b>\$ 303,445</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 41,987	\$ 92,282
Accrued expenses	3,016	3,016
Due to primary government	174	7,654
<b>TOTAL LIABILITIES</b>	<b>45,177</b>	<b>102,952</b>
 <b>FUND BALANCE</b>		
Unassigned	228,826	200,493
<b>Total fund balance</b>	<b>228,826</b>	<b>200,493</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 274,003</b>	<b>\$ 303,445</b>

City of Los Fresnos, Texas  
**COMMUNITY DEVELOPMENT CORPORATION**  
**COMPONENT UNIT**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2018</b>	2017
Revenues		
Nonproperty taxes	<b>\$ 358,576</b>	\$ 333,453
Interest and investment income	<b>1,752</b>	1,265
Total revenues	<b>360,328</b>	334,718
Expenditures		
Current		
Community development services	<b>331,995</b>	351,791
Total expenditures	<b>331,995</b>	351,791
NET CHANGE IN FUND BALANCES	<b>28,333</b>	(17,073)
Fund balance, beginning of year	<b>200,493</b>	217,566
Fund balance, end of year	<b>\$ 228,826</b>	\$ 200,493

This part of the City of Los Fresnos comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

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<p>Revenue Capacity</p> <p style="padding-left: 40px;">These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</p>	110
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<p>Demographic and Economic Information</p> <p style="padding-left: 40px;">These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</p>	120
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Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial report for the relevant year.

City of Los Fresnos, Texas  
**Net Position by Component**  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 922,875	\$ 1,129,784	\$ 1,493,721	\$ 2,242,878	\$ 2,676,014	\$ 2,996,954	\$ 4,100,397	\$ 3,214,184	\$ 3,862,287	\$ 4,940,324
Restricted	286,655	933,844	336,789	432,339	92,941	66,485	279,271	352,678	782,227	467,205
Unrestricted	732,803	432,604	650,140	1,019,815	901,867	671,975	983,606	1,285,467	1,539,239	1,426,892
Total governmental activities net position	\$ 1,942,333	\$ 2,496,232	\$ 2,480,650	\$ 3,695,032	\$ 3,670,822	\$ 3,735,414	\$ 5,363,274	\$ 4,852,329	\$ 6,183,753	\$ 6,834,421
<b>Business-type activities</b>										
Net investment in capital assets	\$ 8,736,137	\$ 18,482,658	\$ 19,963,370	\$ 19,678,813	\$ 19,760,998	\$ 19,801,155	\$ 20,765,369	\$ 21,681,981	\$ 21,506,517	\$ 21,457,949
Restricted	111,151	70,454	337,862	342,978	168,000	172,000	338,000	395,000	454,000	476,000
Unrestricted	996,729	854,377	681,874	461,843	217,533	86,732	416,911	407,723	232,794	352,684
Total business-type activities net position	\$ 9,844,017	\$ 19,407,489	\$ 20,983,106	\$ 20,483,634	\$ 20,146,531	\$ 20,059,887	\$ 21,520,280	\$ 22,484,704	\$ 22,193,311	\$ 22,286,633
<b>Primary government</b>										
Net investment in capital assets	\$ 9,659,012	\$ 19,612,442	\$ 21,457,091	\$ 21,921,691	\$ 22,437,012	\$ 22,798,109	\$ 24,865,766	\$ 24,896,165	\$ 25,368,804	\$ 26,398,273
Restricted	397,806	1,004,298	674,651	775,317	260,941	238,485	617,271	747,678	1,236,227	943,205
Unrestricted	1,729,532	1,286,981	1,332,014	1,481,658	1,119,400	758,707	1,400,517	1,693,190	1,772,033	1,779,576
Total primary government net position	\$ 11,786,350	\$ 21,903,721	\$ 23,463,756	\$ 24,178,666	\$ 23,817,353	\$ 23,795,301	\$ 26,883,554	\$ 27,337,033	\$ 28,377,064	\$ 29,121,054

City of Los Fresnos, Texas  
Change in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,811,792	\$ 10,495,184	\$ 1,896,765	\$ 681,293	\$ 675,100	\$ 512,546	\$ 1,621,198	\$ 1,342,259	\$ 1,563,899	\$ 448,561
Public safety	1,208,697	1,292,155	1,362,538	1,450,846	1,553,419	1,633,022	1,645,834	1,796,144	1,761,395	1,880,517
Highways and streets	128,207	105,723	164,359	157,108	144,210	176,592	295,225	317,637	380,922	403,361
Health and Welfare	202,501	192,090	224,834	237,116	235,256	266,243	264,572	269,470	311,236	296,807
Culture and recreation	329,372	600,289	331,923	330,498	426,260	402,598	483,805	484,490	595,951	688,405
Interest and long-term debt	104,296	97,948	84,700	78,558	75,175	128,426	88,107	178,048	234,405	353,085
Total governmental activities expenses	<u>3,784,865</u>	<u>12,783,389</u>	<u>4,065,119</u>	<u>2,935,419</u>	<u>3,109,420</u>	<u>3,119,427</u>	<u>4,398,741</u>	<u>4,388,048</u>	<u>4,847,808</u>	<u>4,070,736</u>
Business-type activities										
Water	801,639	996,015	881,249	1,008,652	1,279,059	1,245,462	1,347,153	1,285,170	1,594,457	1,301,036
Sewer	662,997	749,357	774,184	846,072	1,236,877	1,278,324	1,251,956	1,415,866	1,426,348	1,396,360
Total business-type activities expenses	<u>1,464,636</u>	<u>1,745,372</u>	<u>1,655,433</u>	<u>1,854,724</u>	<u>2,515,936</u>	<u>2,523,786</u>	<u>2,599,109</u>	<u>2,701,036</u>	<u>3,020,805</u>	<u>2,697,396</u>
Total primary government expenses	<u>\$ 5,249,501</u>	<u>\$ 14,528,761</u>	<u>\$ 5,720,552</u>	<u>\$ 4,790,143</u>	<u>\$ 5,625,356</u>	<u>\$ 5,643,213</u>	<u>\$ 6,997,850</u>	<u>\$ 7,089,084</u>	<u>\$ 7,868,613</u>	<u>\$ 6,768,132</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 646,622	\$ 84,380	\$ 192,784	\$ 240,290	\$ 231,718	\$ 275,417	\$ 260,910	\$ 328,614	\$ 316,532	\$ 338,432
Public safety	-	517,434	480,459	559,735	557,445	459,351	477,787	517,311	567,424	590,366
Culture and recreation	22,089	24,211	13,105	28,162	27,757	34,973	53,280	42,399	46,030	27,768
Other activities	-	88,827	2,600	4,106	5,511	4,253	9,037	11,357	16,635	5,568
Operating grants and contributions	82,332	207,611	11,301	-	100,000	58,383	1,302,610	727,577	1,069,130	124,429
Capital grants and contribution	1,259,844	10,448,386	1,599,951	776,809	392,065	212,254	705,920	389,225	1,157,528	543,798
Total governmental activities program revenues	<u>2,010,887</u>	<u>11,370,849</u>	<u>2,300,200</u>	<u>1,609,102</u>	<u>1,314,496</u>	<u>1,044,631</u>	<u>2,809,544</u>	<u>2,016,483</u>	<u>3,173,279</u>	<u>1,630,361</u>
Business-type activities										
Charges for services:										
Water	912,363	848,258	979,037	1,010,947	1,008,116	1,121,371	1,070,905	1,170,969	1,305,184	1,336,923
Sewer	647,878	631,575	674,978	919,598	1,053,168	1,177,412	1,152,722	1,339,446	1,377,768	1,435,812
Capital grants and contribution	1,453,732	10,127,731	1,560,205	-	2,061,284	132,317	-	1,148,253	-	-
Total business-type activities program revenues	<u>3,013,973</u>	<u>11,607,564</u>	<u>3,214,220</u>	<u>1,930,545</u>	<u>2,061,284</u>	<u>2,431,100</u>	<u>2,223,627</u>	<u>3,658,668</u>	<u>2,682,952</u>	<u>2,772,735</u>
Total primary government revenues	<u>\$ 5,024,860</u>	<u>\$ 22,978,413</u>	<u>\$ 5,514,420</u>	<u>\$ 3,539,647</u>	<u>\$ 3,375,780</u>	<u>\$ 3,475,731</u>	<u>\$ 5,033,171</u>	<u>\$ 5,675,151</u>	<u>\$ 5,856,231</u>	<u>\$ 4,403,096</u>

City of Los Fresnos, Texas  
Change in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expenses)/revenues										
Governmental activities	\$ (1,773,978)	\$ (1,412,540)	\$ (1,764,919)	\$ (1,326,317)	\$ (1,794,924)	\$ (2,074,796)	\$ (1,589,197)	\$ (2,371,565)	\$ (1,674,529)	\$ (2,440,375)
Business-type activities	1,549,337	9,862,192	1,558,787	75,821	(454,652)	(92,686)	(375,482)	957,632	(337,853)	75,339
Total primary government net expense	\$ (224,641)	\$ 8,449,652	\$ (206,132)	\$ (1,250,496)	\$ (2,249,576)	\$ (2,167,482)	\$ (1,964,679)	\$ (1,413,933)	\$ (2,012,382)	\$ (2,365,036)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 1,028,839	\$ 1,018,940	\$ 1,047,260	\$ 1,062,125	\$ 1,070,694	\$ 1,141,686	\$ 1,200,838	\$ 1,385,907	\$ 1,521,673	\$ 1,877,846
Sales taxes	388,885	348,388	384,472	444,467	454,883	557,523	800,365	1,068,769	1,011,779	1,103,146
Franchise taxes	171,801	179,192	205,747	228,463	234,556	321,753	303,738	314,239	334,031	359,351
Alcoholic beverage taxes	2,620	2,235	2,041	-	-	-	49	1,653	-	-
Investment earnings	27,361	47,231	30,452	20,348	2,218	1,028	1,253	3,937	32,402	103,005
Miscellaneous	51,876	57,220	79,365	37,844	51,300	117,398	79,032	115,342	130,768	129,446
Transfers	129,189	313,233	-	594,703	-	-	511,529	(1,029,227)	(24,700)	-
Total governmental activities	1,800,571	1,966,439	1,749,337	2,387,950	1,813,651	2,139,388	2,896,804	1,860,620	3,005,953	3,572,794
Business-type activities:										
Investment earnings	18,700	14,513	16,104	19,410	2,124	1,647	1,559	6,792	21,760	51,816
Miscellaneous	-	-	725	-	660	4,395	951	-	-	-
Contributed Capital	-	-	-	-	-	-	2,176,874	-	-	-
Transfers	(129,189)	(313,233)	-	(594,703)	-	-	(511,529)	-	24,700	-
Total business-type activities	(110,489)	(298,720)	16,829	(575,293)	2,784	6,042	1,667,855	6,792	46,460	51,816
Total primary government	\$ 1,690,082	\$ 1,667,719	\$ 1,766,166	\$ 1,812,657	\$ 1,816,435	\$ 2,145,430	\$ 4,564,659	\$ 1,867,412	\$ 3,052,413	\$ 3,624,610
<b>Changes in Net Position</b>										
Governmental activities	\$ 26,593	\$ 553,899	\$ (15,582)	\$ 1,061,633	\$ 18,727	\$ 64,592	\$ 1,307,607	\$ (510,945)	\$ 1,331,424	\$ 1,132,419
Business-type activities	1,438,848	9,563,472	1,575,616	(499,472)	(451,868)	(86,644)	1,292,373	964,424	(291,393)	127,155
Total primary government	\$ 1,465,441	\$ 10,117,371	\$ 1,560,034	\$ 562,161	\$ (433,141)	\$ (22,052)	\$ 2,599,980	\$ 453,479	\$ 1,040,031	\$ 1,259,574

City of Los Fresnos, Texas  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nondistributable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,568
Unassigned	568,605	582,262	553,886	682,171	719,437	769,094	1,034,558	986,415	1,121,271	1,318,767
Total General Fund	\$ 568,605	\$ 582,262	\$ 553,886	\$ 682,171	\$ 719,437	\$ 769,094	\$ 1,034,558	\$ 986,415	\$ 1,121,271	\$ 1,320,335
All other governmental funds										
Restricted	\$ 286,655	\$ 571,285	\$ 191,194	\$ 135,041	\$ 87,042	\$ 39,754	\$ 260,409	\$ 333,862	\$ 783,829	\$ 467,133
Special revenue funds	73,422	98,220	123,391	148,949	5,899	(4,840)	-	-	-	-
Capital projects funds	4,737	21,922	-	-	-	2,718,799	1,928,023	333,377	4,946,575	5,294,229
Total all other governmental funds	\$ 364,814	\$ 691,427	\$ 314,585	\$ 283,990	\$ 92,941	\$ 2,753,713	\$ 2,188,432	\$ 667,239	\$ 5,730,404	\$ 5,761,362

City of Los Fresnos, Texas  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 1,644,999	\$ 1,597,842	\$ 1,630,692	\$ 1,749,252	\$ 1,761,864	\$ 2,016,207	\$ 2,318,947	\$ 2,776,854	\$ 2,863,124	\$ 3,336,881
Licenses and permits	18,836	17,567	19,507	32,840	35,141	61,280	56,363	108,775	80,166	109,991
Intergovernmental	1,279,931	10,632,497	1,611,252	776,809	372,391	270,637	1,841,863	1,116,803	1,725,005	513,285
Charges for services	147,037	162,654	239,960	282,863	272,637	278,595	298,513	314,281	342,083	282,460
Fines	400,383	429,839	429,481	516,590	514,651	434,119	446,137	476,624	524,372	569,683
Investment Earnings	27,361	47,232	30,452	20,348	2,053	1,027	1,253	3,938	32,402	103,005
Contributions and donations	-	-	-	-	-	-	-	-	-	6,250
Grant Income	-	-	-	-	-	-	166,667	-	333,333	-
Miscellaneous	127,607	119,438	59,460	61,644	48,368	115,998	205,513	115,341	130,768	129,446
Total revenues	3,646,154	13,007,069	4,020,804	3,440,346	3,007,105	3,177,863	5,335,256	4,912,616	6,031,253	5,051,001
<b>Expenditures</b>										
General government	1,795,810	10,482,869	1,887,484	667,424	425,189	535,076	1,547,528	1,266,877	1,559,407	594,825
Public safety	1,128,470	1,210,413	1,289,595	1,353,502	1,415,840	1,520,422	1,507,175	1,639,266	1,640,244	1,755,205
Highways and streets	85,031	62,547	121,183	101,335	98,307	174,628	212,456	223,992	258,422	271,273
Health and Welfare	197,138	188,605	220,881	229,361	229,108	260,095	259,032	262,400	302,736	287,430
Culture and recreation	301,328	572,303	301,146	297,258	324,854	362,636	366,486	358,676	444,275	478,571
Capital outlay	38,745	172,080	327,559	1,126,620	469,397	385,119	2,006,911	2,480,218	971,109	1,323,930
Bond Issuance Costs	-	-	-	-	-	75,703	-	-	104,548	64,000
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	203,147	232,434	195,771	188,907	245,792	252,382	161,670	191,501	197,934	339,399
Interest and fiscal agent fees	102,320	92,835	82,402	74,977	75,175	62,523	88,108	178,048	129,857	286,716
Administrative costs	-	-	-	-	-	-	-	-	-	2,369
Total all other governmental funds	3,851,989	13,014,086	4,426,021	4,039,384	3,283,662	3,628,584	6,149,366	6,600,978	5,608,532	5,403,718
Excess of revenues over (under) expenditures	(205,835)	(7,017)	(405,217)	(599,038)	(276,557)	(450,721)	(814,110)	(1,688,362)	422,721	(352,717)



City of Los Fresnos, Texas  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Other financing sources (uses)</b>										
Transfer in	224,548	313,308	4,372	677,461	-	8,250	511,529	119,026	47,983	263,238
Transfer out	(95,359)	(75)	(4,372)	(82,758)	-	(8,250)	-	-	(72,683)	(263,239)
Proceeds of long term debt	-	-	-	-	-	3,045,000	-	-	4,800,000	1,000,000
Capital leases	-	28,049	-	358,916	-	114,750	-	-	-	-
Contributed Capital	30,770	-	-	-	119,674	-	-	-	-	-
Sale of capital	-	6,005	-	-	3,100	1,400	2,764	-	-	-
<b>Total other financing sources (uses)</b>	<u>159,959</u>	<u>347,287</u>	<u>-</u>	<u>953,619</u>	<u>122,774</u>	<u>3,161,150</u>	<u>514,293</u>	<u>119,026</u>	<u>4,775,300</u>	<u>999,999</u>
<b>Net change in fund balances</b>	<u>\$ (45,876)</u>	<u>\$ 340,270</u>	<u>\$ (405,217)</u>	<u>\$ 354,581</u>	<u>\$ (153,783)</u>	<u>\$ 2,710,429</u>	<u>\$ (299,817)</u>	<u>\$ (1,569,336)</u>	<u>\$ 5,198,021</u>	<u>\$ 647,282</u>
<b>Debt service as a percentage of noncapital expenditures</b>	8.0%	2.5%	6.8%	9.1%	11.4%	10.3%	6.0%	9.0%	7.1%	15.3%

City of Los Fresnos, Texas

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	Tax Year	Total Assessed	Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
			Tax Exempt Real Property					
2009	2008	\$ 159,954,023	\$ 14,076,889	\$	145,877,134	0.715	\$ 145,877,134	91.20%
2010	2009	156,316,040	12,946,780		143,369,260	0.715	143,369,260	91.72%
2011	2010	158,887,502	10,636,023		148,251,479	0.715	148,251,479	93.31%
2012	2011	162,833,985	12,432,532		150,401,453	0.715	150,401,453	92.36%
2013	2012	163,640,418	11,825,820		151,814,598	0.715	151,814,598	92.77%
2014	2013	177,036,323	14,555,907		162,480,416	0.715	162,480,416	91.78%
2015	2014	197,741,864	14,369,042		183,372,822	0.715	183,372,822	92.73%
2016	2015	198,891,180	16,102,534		182,788,646	0.715	182,788,646	91.90%
2017	2016	268,872,189	15,895,313		252,976,876	0.715	252,976,876	94.09%
2018	2017	291,304,580	17,267,031		274,037,549	0.715	274,037,549	94.07%

Source: Cameron County Appraisal District

Note: Assessed values are determined annually. Assessed value is equal to 100% of estimated value. All property is assessed the same rate regardless of real or personal property, commercial, residential, or industrial.

**City of Los Fresnos, Texas**  
**Governmental Activities Tax Revenue By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Total</b>
2009	\$ 1,028,839	\$ 388,885	\$ 171,801	\$ 2,620	\$ 1,592,145
2010	1,018,940	348,388	179,192	2,235	1,548,755
2011	1,047,260	384,472	205,747	2,041	1,639,520
2012	1,062,125	444,467	228,463	-	1,735,055
2013	1,070,694	454,883	234,556	-	1,760,133
2014	1,141,686	557,523	321,753	-	2,020,962
2015	1,200,838	800,365	303,738	49	2,304,990
2016	1,385,907	1,068,769	314,239	1,653	2,770,568
2017	1,521,673	1,011,779	334,031	-	2,867,483
2018	1,877,846	1,103,146	359,351	-	3,340,343

City of Los Fresnos, Texas

Property Tax Rates

Direct and Overlapping<sup>1</sup> Governments

Last Ten Fiscal Years

Fiscal Year	City of Los Fresnos			Cameron County			Los Fresnos CISD			Total	
	Operating		Debt	Operating		Debt	Operating		Debt	Total	Direct & Overlapping
	City	Service	City	County	Service	County	District	Rates	District	Rates	
2009	0.522	0.193	0.715	0.314	0.039	0.353	1.040	0.160	1.200	2.268	
2010	0.544	0.171	0.715	0.322	0.042	0.364	1.040	0.160	1.200	2.279	
2011	0.588	0.127	0.715	0.322	0.042	0.364	1.170	0.020	1.190	2.269	
2012	0.590	0.125	0.715	0.345	0.039	0.384	1.170	0.020	1.190	2.289	
2013	0.587	0.128	0.715	0.345	0.040	0.385	1.170	0.020	1.190	2.290	
2014	0.600	0.115	0.715	0.349	0.050	0.399	1.170	0.020	1.190	2.304	
2015	0.587	0.128	0.715	0.355	0.044	0.399	1.170	0.020	1.190	2.304	
2016	0.596	0.119	0.715	0.360	0.044	0.404	1.170	0.020	1.190	2.309	
2017	0.629	0.086	0.715	0.356	0.051	0.407	1.170	0.020	1.190	2.312	
2018	0.620	0.095	0.715	0.361	0.056	0.417	1.170	0.020	1.190	2.322	

Source: Cameron County Tax Office and LFCISD

<sup>1</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Los Fresnos. Not all overlapping rates apply to all City of Los Fresnos property owners.

City of Los Fresnos, Texas  
Principal Property Taxpayers  
September 30, 2018

Taxpayer	2018			2009		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		Value
Wal-Mart Real Estate Business	\$ 6,547,491	1	2.39%	-		-
VDC Los Fresnos Reserve I Homes LP	6,493,357	2	2.37%	-		-
Wal-Mart Stores Texas LLC	6,371,611	3	2.33%	-		-
Casa Cien LP	4,457,284	4	1.63%	-		-
Alamo Street Development LLC	2,377,708	5	0.87%	-		-
AEP Texas Inc.	2,365,280	6	0.86%	-		-
Time Warner Cable Texas LLC	1,592,400	7	0.58%	-		-
Coltrin Richard L.	1,570,387	8	0.57%	-		-
7-Eleven Inc.	1,546,940	9	0.56%	-		-
Caterpillar Financial Services Corp.	1,348,350	10	0.49%	-		-
Loehr Roland D & Linda S	-		-	9,257,000	1	6.35%
Lila Hospitality Inc DBA Casa Real Motel	-		-	8,115,000	2	5.56%
First National Bnak	-		-	6,934,000	3	4.75%
Southwestern Bell Telephone	-		-	6,357,000	4	4.36%
Smart Star Properties LTD	-		-	5,761,000	5	3.95%
Pederson Construction	-		-	4,917,000	6	3.37%
TWE- Advanced/Newhouse Partnership	-		-	4,610,000	7	3.16%
First National Bank - San Benito	-		-	4,542,000	8	3.11%
Los Fresnos LTD	-		-	3,864,000	9	2.65%
Lopez, Evangelina R	-		-	3,773,000	10	2.59%
<b>Totals</b>	<b>\$ 34,670,808</b>		<b>12.65%</b>	<b>\$ 58,130,000</b>		<b>39.85%</b>

Source: Cameron Appraisal District

City of Los Fresnos, Texas

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended	Total Tax Levy for		Collected within the		Collections in		Total Collections to Date	
	Fiscal Year	Amount	Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount Collected	Percentage of Levy	
2009	\$ 946,861	\$ 903,900		95.5%	\$ 36,059	\$ 939,959	99.3%	
2010	1,007,251	965,299		95.8%	31,043	996,342	98.9%	
2011	1,165,188	987,465		84.7%	164,468	1,151,933	98.9%	
2012	1,195,434	1,007,511		84.3%	162,834	1,170,345	97.9%	
2013	1,070,759	1,028,813		96.1%	38,792	1,067,605	99.7%	
2014	1,146,647	1,097,737		95.7%	39,301	1,137,038	99.2%	
2015	1,144,537	1,004,031		87.7%	38,012	1,042,043	91.0%	
2016	1,293,400	1,248,033		96.5%	56,240	1,304,273	100.8%	
2017	1,449,738	1,404,218		96.9%	42,917	1,447,135	99.8%	
2018	1,788,469	1,740,932		97.3%	49,943	1,790,875	100.1%	

City of Los Fresnos, Texas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	
	General		Capital		Water and Wastewater		Water					Leases
	Obligation	Bonds	Obligation	Leases	Bonds	Wastewater	Meter Deposits	Capital Leases				
2009	\$ 2,315,000	\$ 50,068	\$ 8,245,042	\$ -	\$ 122,820	\$ -	\$ 10,732,930	32.13%	1,969			
2010	2,110,000	62,335	8,132,042	-	155,485	-	10,459,862	28.67%	1,887			
2011	1,940,000	28,049	7,447,042	-	163,650	-	9,578,741	28.36%	1,722			
2012	1,760,000	378,059	7,790,042	853,111	170,005	791,620	10,951,217	32.43%	1,939			
2013	1,565,000	327,267	7,720,042	791,620	176,315	791,620	10,580,244	27.03%	1,843			
2014	4,400,000	389,835	7,552,042	663,275	187,858	663,275	13,193,010	33.70%	2,153			
2015	4,305,000	323,164	9,319,042	598,545	193,818	598,545	14,739,569	34.29%	2,286			
2016	4,180,000	256,663	8,981,042	538,661	204,505	538,661	14,160,871	27.49%	2,197			
2017	8,850,000	188,729	8,586,042	477,220	211,442	477,220	18,313,433	35.41%	2,753			
2018	9,580,000	119,330	8,132,042	414,181	216,072	414,181	18,461,625	41.96%	2,358			

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**City of Los Fresnos, Texas**  
**Ratios of General Bonded Debt**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30</b>	<b>General Obligation Bonds (1)</b>	<b>Less: Amounts Available in Debt</b>		<b>Percentage Estimated Actual Taxable Value of Property (3)</b>	<b>Per Capita (4)</b>
		<b>Service Fund (2)</b>	<b>Total</b>		
2009	\$ 2,315,000	\$ 286,570	\$ 2,028,430	1.59%	425
2010	2,110,000	256,536	1,853,464	1.47%	381
2011	1,940,000	177,301	1,762,699	1.31%	349
2012	1,760,000	135,041	1,624,959	1.17%	312
2013	1,565,000	87,042	1,477,958	1.03%	273
2014	4,400,000	39,754	4,360,246	2.71%	718
2015	4,305,000	73,444	4,231,556	2.35%	668
2016	4,180,000	56,660	4,123,340	2.29%	648
2017	8,850,000	23,786	8,826,214	3.50%	1,331
2018	9,580,000	27,382	9,552,618	3.50%	1,223

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.

(2) This is the amount restricted for debt service principal payments.

(3) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property for property value data.

(4) Population data can be found in the Schedule of Demographic and Economic Statistics.



City of Los Fresnos, Texas  
**Direct and Overlapping Governmental Activities Debt**  
As of September 30, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cameron County	\$ 112,727,060	1.50%	\$ 1,690,906
Los Fresnos CISD	49,704,175	1.50%	<u>745,563</u>
Subtotal, overlapping debt			2,436,469
City of Los Fresnos direct debt	9,580,000	100%	<u>9,580,000</u>
Total direct and overlapping debt			<u><u>\$ 12,016,469</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the most recent data from the Texas State Comptroller website <https://comptroller.texas.gov/transparency> .

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Los Fresnos. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimates by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

**City of Los Fresnos, Texas**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debit limit	\$ 15,995,402	\$ 15,631,604	\$ 15,888,750	\$ 16,283,399	\$ 16,364,042	\$ 17,703,632	\$ 19,774,186	\$ 19,889,118	\$ 26,887,219	\$ 29,130,458
Total net debt applicable to limit	<u>2,315,000</u>	<u>2,110,000</u>	<u>1,940,000</u>	<u>1,760,000</u>	<u>1,565,000</u>	<u>4,400,000</u>	<u>4,305,000</u>	<u>4,180,000</u>	<u>8,850,000</u>	<u>9,580,000</u>
Legal debt margin	<u>\$ 13,680,402</u>	<u>\$ 13,521,604</u>	<u>\$ 13,948,750</u>	<u>\$ 14,523,399</u>	<u>\$ 14,799,042</u>	<u>\$ 13,303,632</u>	<u>\$ 15,469,186</u>	<u>\$ 15,709,118</u>	<u>\$ 18,037,219</u>	<u>\$ 19,550,458</u>
Total net debt applicable to the limit as a percentage of debt limit	14.47%	13.50%	12.21%	10.81%	9.56%	24.85%	21.77%	21.02%	32.92%	32.89%

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed Value	\$ 291,304,580
Add Back: Exempt real property	\$ 17,267,031
Total assessed value	274,037,549
Debit Limit (10% of total assessed value)	26,887,219
Debt applicable to limit:	
General obligation bonds	
General obligation debt	<u>9,580,000</u>
Total debt applicable to limit	<u>9,580,000</u>
Legal debt margin	<u>\$ 17,307,219</u>

Note: Under state finance law, the City of Los Fresnos' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**City of Los Fresnos, Texas**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

<b>Water &amp; Sewer Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Water &amp; Sewer Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2009	\$ 1,560,241	\$ 1,409,262	\$ 150,979	\$ 74,000	\$ 42,461	1.30
2010	1,479,833	1,585,678	(105,845)	83,000	116,660	(0.53)
2011	1,654,015	1,220,941	433,074	85,000	116,943	2.14
2012	1,930,545	1,729,791	200,754	101,000	120,022	0.91
2013	2,061,284	1,708,201	353,083	107,000	130,450	1.49
2014	2,431,100	1,751,031	680,069	168,000	148,093	2.15
2015	2,223,627	1,780,601	443,026	172,000	116,277	1.54
2016	3,658,668	2,701,036	957,632	395,000	136,468	1.80
2017	2,682,952	3,020,805	(337,853)	454,000	131,075	(0.58)
2018	2,772,735	2,553,310	219,425	476,000	124,782	0.37

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

**City of Los Fresnos, Texas**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Median Household Income<sup>1</sup></b>	<b>Per Capita Personal Income<sup>1</sup></b>	<b>Median Age<sup>1</sup></b>	<b>School Enrollment<sup>2</sup></b>	<b>Unemployment Rate<sup>3</sup></b>
2009	5,451	\$ 33,405	\$ 12,057	35	9,734	10.8
2010	5,542	36,488	13,156	28	9,996	10.9
2011	5,563	33,770	14,826	28	10,284	12.4
2012	5,647	33,770	14,826	28	10,295	10.3
2013	5,740	39,149	13,399	29	9,913	10.1
2014	6,129	39,149	13,399	29	10,523	8.0
2015	6,447	42,986	15,430	29	10,649	6.6
2016	6,447	51,514	16,576	27	10,649	6.9
2017	6,651	51,719	17,082	27	10,827	6.4
2018	7,830	43,993	16,432	28	10,642	6.0

Data sources

<sup>1</sup> US Census Bureau

<sup>2</sup> Los Fresnos CISD

<sup>3</sup> Texas EDGE information is for entire Cameron County since no data available for City only.

City of Los Fresnos, Texas

Principal Employers

Current Year and Ten Years Ago

Employer	2018			2009		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Los Fresnos CISD	1,746	1	62.05%	1,441	1	84.17%
Comprehensive Health Services	627	2	22.28%			
Walmart	189	3	6.72%			
McDonalds	65	4	2.31%			
City of Los Fresnos	59	5	2.10%	47	3	2.75%
Pederson Construction	39	6	1.39%	65	2	3.80%
7-Eleven, Inc.	37	7	1.31%			
Churchs Fried Chicken	18	8	0.64%			
Julia's Restaurant	18	9	0.64%	23	5	1.34%
Dr. Julian Alvarez Pediatric	16	10	0.57%			
Lopez Supermarket				34	4	1.99%
Dairy Queen				21	7	1.23%
Trinity Plaza, Inc				21	8	1.23%
Stars Drive Inn				20	9	1.17%
Los Fresnos Construction				18	10	1.05%
Little Light House Children				22	6	1.29%
Total	<u>2,814</u>		<u>100.00%</u>	<u>1,712</u>		<u>100.00%</u>

City of Los Fresnos, Texas  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2017</u>	<u>2018</u>	
General Fund										
Administration	6	7	8	7	8	9	9	9	12	
Municipal Court	3	3	3	3	3	3	3	3	3	
Police Department	20	20	20	20	21	22	22	22	23	
Library	3	3	3	3	3	3	3	3	3	
Senior Citizen	1	1	1	1	1	1	1	1	1	
Code Enforcement	1	1	1	1	1	1	1	2	2	
Parks	1	-	-	-	1	-	1	2	2	
Streets	1	-	-	-	-	-	-	2	3	
Water and Sewer Fund										
Water	6	7	7	7	6	6	6	4	6	
Sewer	<u>5</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>4</u>	<u>5</u>	
Total	47	49	50	49	51	52	53	52	60	

Source: City of Los Fresnos Budget Reports

**City of Los Fresnos, Texas**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical Arrests	426	423	675	652	677	668	589	728	527	460
Parking Violations	1	2	7	5	10	7	5	2	-	-
Traffic Violations	6,375	5,697	6,297	7,984	7,662	7,314	7,375	5,815	5,426	5,974
Fire										
Number of calls answered	283	311	437	347	341	298	349	381	436	411
Inspections	120	120	120	120	120	120	135	130	120	120
Highways and Streets										
Street resurfacing (miles)	0.5	-	-	-	0.1	0.1	-	-	-	1.0
Potholes repaired	unknown	unknown	unknown	64	150	205	776	686	554	1,318
Culture and recreation										
Other Community Center Events	45	32	32	60	48	62	77	78	79	166
Water										
New Connections	30	32	35	52	26	43	34	43	24	18
Water mains breaks	48	76	35	47	46	54	26	41	190	28
Average daily consumption (thousands of gallons)	445	401	512	501	519	477	507	519	534	516
Wastewater										
Average Daily sewage treatment (thousands of gallons)	344	398	406	498	498	542	596	534	494	530

Source: Various City Departments

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	8	8	8	8	8	8	7	6	6	6
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	21	21	21	21	21	21	21	23	23	24
Street Lights	329	329	329	333	351	371	482	565	565	576
Traffic Signals	-	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks acreage	23	23	23	23	23	43	43	43	43	43
Parks acreage (Developed)	15	15	15	15	15	15	15	16	16	17
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis/Basketball Courts	1	1	1	1	1	1	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	11.99	11.99	11.99	12.10	12.10	12.85	13.40	13.40	13.40	14.15
Fire Hydrants	165	165	200	200	200	206	213	213	225	234
Maximum daily capacity (thousands of gallons)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Sewer										
Sanitary sewers (miles)	11.99	11.99	11.99	30.36	30.36	30.36	30.36	30.86	30.86	31.40
Storm Sewers (miles)	23	23	23	23	23	23	23	23	23	32
Maximum daily treatment capacity (thousand of gallons)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Source: Various City Departments





**COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council  
City of Los Fresnos, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Los Fresnos, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Los Fresnos, Texas' basic financial statements, and have issued our report thereon dated April 10, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Los Fresnos, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Los Fresnos, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Los Fresnos, Texas' internal control.

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

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Case, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
April 10, 2019