

CITY OF FRIONA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

City of Friona, Texas
 Annual Financial Report
 For The Year Ended September 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position - Enterprise Funds.....	18
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Enterprise Funds.....	19
Statement of Cash Flows - Proprietary Funds.....	20
Notes to the Financial Statements	21
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedules:	
General Fund.....	41
Economic Development.....	42
 Schedule of the City's Proportionate Share of the	
Net Pension Liability - Texas Municipal Retirement System.....	43
Schedule of City's Contributions - Texas Municipal Retirement System.....	44
Notes to Required Supplementary Information.....	45

Financial Section

RANDALL L. FIELD, P.C.
214 WEST SECOND
MULESHOE, TEXAS 79347

Independent Auditor's Report

To the City Council
City of Friona, Texas
623 Main Street
Friona, Texas 79035

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Friona, Texas ("the City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, I 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.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Friona, Texas's basic financial statements.



Randall L. Field, P.C.

Muleshoe, TX
December 6, 2017

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

This section of City of Friona's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

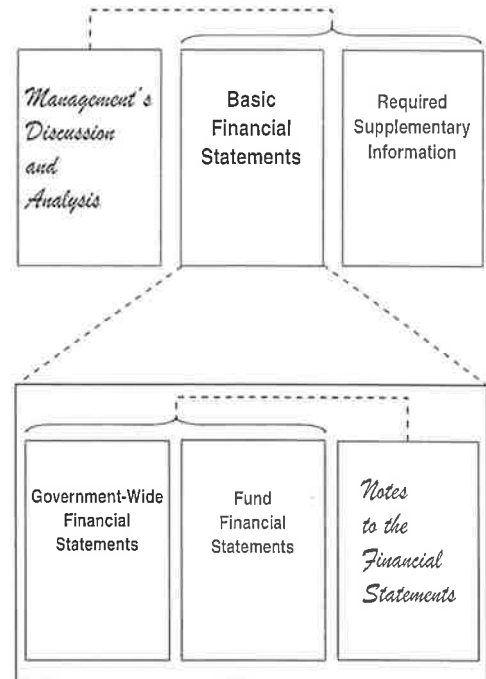
- The City's total combined Net Position were \$8,382,620 at September 30, 2017. Of this amount, \$1,895,814 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- During the year, the City's total Net Position increased by \$528,688.
- The total cost of the City's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$1,119,933.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

Figure A-1F, Required Components of the City's Annual Financial Report

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Enterprise fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
 For Year Ended September 30, 2017

supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Fund Statements Enterprise Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses
<i>Required financial statements</i>	<input type="checkbox"/> Statement of Net Position	<input type="checkbox"/> Balance sheet	<input type="checkbox"/> Statement of Net Position
	<input type="checkbox"/> Statement of Activities	<input type="checkbox"/> Statement of revenues, expenditures & changes in fund balance	<input type="checkbox"/> Statement of revenues, expenses & changes in fund Net Position
			<input type="checkbox"/> Statement of cash flow
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities both financial and capital, short-term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payments is due during the year or soon thereafter	All revenues and expenses during year, regardless when cash is received or paid

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's Net Position and how they have changed. Net Position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities. The business-type activities of the city include the water and sewer and airport operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Enterprise funds*—Services for which the City charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provide in the government-wide and fund statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, Net Position may serve over time as a useful indicator of government's financial position. The City's combined Net Position were \$8,382,620 September 30, 2017.

The largest portion of the City's Net Position reflects its investments in capital assets (e.g. land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FRIONA'S NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,735,777	\$ 1,690,675	\$ 1,256,003	\$ 1,186,675	\$ 2,991,780	\$ 2,877,350
Capital assets, net of						
accumulated depreciation	<u>1,706,254</u>	<u>1,683,028</u>	<u>6,453,422</u>	<u>6,480,425</u>	<u>8,159,676</u>	<u>8,163,453</u>
Total Assets	<u>3,442,031</u>	<u>3,373,703</u>	<u>7,709,425</u>	<u>7,667,100</u>	<u>11,151,456</u>	<u>11,040,803</u>
Deferred outflow related to pension	188,468	196,170	94,198	101,349	282,666	297,519
Unamortized loss on refunding of bonds	<u>-</u>	<u>-</u>	<u>34,507</u>	<u>42,389</u>	<u>34,507</u>	<u>42,389</u>
Total Deferred Outflows of Resources	<u>188,468</u>	<u>196,170</u>	<u>128,705</u>	<u>143,738</u>	<u>317,173</u>	<u>339,908</u>
Other liabilities	27,087	112,388	122,921	121,393	150,008	233,781
Long-term liabilities	<u>450,585</u>	<u>466,502</u>	<u>2,470,482</u>	<u>2,834,446</u>	<u>2,921,067</u>	<u>3,300,948</u>
Total Liabilities	<u>477,672</u>	<u>578,890</u>	<u>2,593,403</u>	<u>2,955,839</u>	<u>3,071,075</u>	<u>3,534,729</u>
Deferred inflow related to pension	<u>10,776</u>	<u>1,778</u>	<u>4,158</u>	<u>919</u>	<u>14,934</u>	<u>2,697</u>
Total Deferred inflows of resources	<u>10,776</u>	<u>1,778</u>	<u>4,158</u>	<u>919</u>	<u>14,934</u>	<u>2,697</u>
Net Position:						
Net Investment in Capital Assets	1,706,254	1,683,028	4,230,378	3,943,132	5,936,632	5,626,160
Restricted	550,174	493,571	-	-	550,174	493,571
Unrestricted	<u>885,623</u>	<u>812,606</u>	<u>1,010,191</u>	<u>910,948</u>	<u>1,895,814</u>	<u>1,723,554</u>
Total Net Position	\$ <u>3,142,051</u>	\$ <u>2,989,205</u>	\$ <u>5,240,569</u>	\$ <u>4,854,080</u>	\$ <u>8,382,620</u>	\$ <u>7,843,285</u>

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

An additional portion of the City's Net Position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position \$1,895,814 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2017, the City is able to report positive balances in all three categories of Net Position, for the governmental activities and business-type activities.

Analysis of the City's Operations

The City's total revenues were \$3,790,987. A significant portion, \$2,153,770 relates to charges for services, 1,499,844 of the City's revenue comes from taxes, while \$123,162 comes from operating grants and contributions.

Governmental Activities Governmental activities increased Net Position after transfers by \$145,802. During the year, sales tax collections were down from the prior year, due to decreased activity within the city.

Business-type Activities: The Water and Sewer Fund increased Net Position for the year by \$382,886. The Sanitation Fund increased Net Position for the year by \$7,407.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of the current fiscal year, the City of Friona's governmental funds reported combined ending fund balances of \$1,670,107 approximately 51% or \$854,091 constitutes unassigned fund balance. The remainder of the balance is either nonspendable, restricted due to constraints by external parties, or assigned which represents amounts for which the City intends to use for a specific purpose.

Enterprise Funds- The City's enterprise fund statements provide the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted Net Position of the respective enterprise funds are Water and Sewer \$935,104 and Sanitation \$75,085.

General Fund Budgetary Highlights

Over the course of the year, the City council did not revise the City's budget.

Actual expenditures were \$251,411 below the final budget amounts. Resources available were \$35,429 above the final budgeted amount. The largest differences resulted from the City not being able to fill open position within its police department.

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

The following table provides a summary for the City's operations for year ended September 30, 2017.

CITY OF FRIONA'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Fees, fines and charges for service	\$ 452,315	\$ 543,894	\$ 1,701,455	\$ 1,618,502	\$ 2,153,770	\$ 2,162,396
Operating grants and contributions	123,162	52,231	-	-	123,162	52,231
Capital grants and contributions	-	13,768	-	-	-	13,768
General Revenues:						
Property taxes	882,057	861,961	-	-	882,057	861,961
Sales taxes	380,338	396,512	-	-	380,338	396,512
Franchise taxes	224,751	219,463	-	-	224,751	219,463
Occupancy taxes	12,698	14,695	-	-	12,698	14,695
Miscellaneous	6,340	22,514	-	-	6,340	22,514
Investment earnings	5,947	5,790	1,924	1,281	7,871	7,071
Total revenues	<u>2,087,608</u>	<u>2,130,828</u>	<u>1,703,379</u>	<u>1,619,783</u>	<u>3,790,987</u>	<u>3,750,611</u>
Expenses:						
Administrative	127,485	151,480	-	-	127,485	151,480
Council	34,942	49,202	-	-	34,942	49,202
Municipal court	48,971	47,598	-	-	48,971	47,598
Police	618,378	612,080	-	-	618,378	612,080
Fire	93,665	81,193	-	-	93,665	81,193
Ambulance	288,304	302,966	-	-	288,304	302,966
Street	174,418	166,189	-	-	174,418	166,189
Parks	86,429	90,908	-	-	86,429	90,908
Library	205,907	199,257	-	-	205,907	199,257
Swimming pool	34,514	35,382	-	-	34,514	35,382
Community center	41,415	33,499	-	-	41,415	33,499
Economic Development	39,992	84,954	-	-	39,992	84,954
Police Drug Forfeiture	-	-	-	-	-	-
Cemetery	16,763	16,528	-	-	16,763	16,528
Water and Sewer	-	-	1,131,117	1,033,367	1,131,117	1,033,367
Sanitation	-	-	319,999	336,968	319,999	336,968
Total Expenses	<u>1,811,183</u>	<u>1,871,236</u>	<u>1,451,116</u>	<u>1,370,335</u>	<u>3,262,299</u>	<u>3,241,571</u>
Increases in Net Position						
Before Transfers	276,425	259,592	252,263	249,448	528,688	509,040
Transfers	(130,623)	(130,917)	130,623	130,917	-	-
Increases in Net Position	<u>145,802</u>	<u>128,675</u>	<u>382,886</u>	<u>380,365</u>	<u>528,688</u>	<u>509,040</u>
Net Position- October 1	<u>2,996,249</u>	<u>2,867,574</u>	<u>4,857,683</u>	<u>4,477,318</u>	<u>7,853,932</u>	<u>7,344,892</u>
Net Position - September 30	<u>\$ 3,142,051</u>	<u>\$ 2,996,249</u>	<u>\$ 5,240,569</u>	<u>\$ 4,857,683</u>	<u>\$ 8,382,620</u>	<u>\$ 7,853,932</u>

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

CAPITAL ASSETS

At the end of 2017, the City had invested \$15,374,032 in a broad range of capital assets, including land, equipment, buildings, and vehicles.

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 248,833	\$ 248,833	\$1,944,507	\$1,944,507	\$2,193,340	\$2,193,340
Construction in process	-	18,746	19,078	19,078	19,078	37,824
Buildings and improvements	1,714,417	1,536,800	66,781	66,781	1,781,198	1,603,581
Machinery and equipment	1,381,370	1,345,644	542,010	542,010	1,923,380	1,887,654
Water and sewer system	-	-	9,188,697	9,188,697	9,188,697	9,188,697
Totals at historical cost	3,344,620	3,150,023	11,761,073	11,761,073	15,105,693	14,911,096
Total accumulated depreciation	(1,638,366)	(1,466,995)	(5,280,648)	(5,280,648)	(6,919,014)	(6,747,643)
Net capital assets	<u>\$1,706,254</u>	<u>\$1,683,028</u>	<u>\$6,480,425</u>	<u>\$6,480,425</u>	<u>\$8,186,679</u>	<u>\$8,163,453</u>

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

Completed Projects & Capital Purchases

- Police Building Improvements
- Two 2017 Ford Police Interceptor
- Water System Generators
- Lawn Mowers
- RV Park Addition
- New Roof Fire Station

More detailed information about the City's capital assets is presented in the notes to the financial statements

DEBT ADMINISTRATION

At year-end, the City had \$2,921,061 in outstanding debt.

CITY OF FRIONA'S LONG TERM DEBT

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Compensated absence	13,114	31,039	7,674	13,821	20,788	44,860
Net Pension Liability	437,471	439,468	239,739	240,944	677,210	680,412
Capital leases	-	-	698,043	739,682	698,043	739,682
Bonds payable	-	-	1,525,000	1,840,000	1,525,000	1,840,000
Total bonds & notes payable	<u>450,585</u>	<u>470,507</u>	<u>2,470,456</u>	<u>2,834,447</u>	<u>2,921,041</u>	<u>3,304,954</u>

CITY OF FRIONA, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2017

More detailed information about the City's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total appraised value used for the 2017-2018 budget preparation is up from \$115,807,616 in 2017 to \$127,103,700 in 2018.

General operating fund spending increases from 2016-2017 actual expenditures of \$1,786,589 to \$2,176,500 in the 2017-2018 budget. This increase will ensure our ability to maintain the level of service that is currently being delivered to the citizens.

The City Council voted to maintain the tax rate of \$0.71 per \$100 valuation, the City adjusted the distribution of the tax decreasing the general fund rate to \$0.5041 and decreasing debt service to \$0.2059.

All current programs offered will be continued and the City of Friona continues to expand water operations and plan for the future. Public safety including the ambulance service remains a priority.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager.

Basic Financial Statements

CITY OF FRIONA, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,550,884	\$ 1,024,164	\$ 2,575,048
Receivables (net of allowances for uncollectibles):			
Interest	271	--	271
Taxes	38,583	--	38,583
Accounts	142,975	150,127	293,102
Due from other governments	3,064	--	3,064
Restricted assets:			
Customer meter deposits	--	81,712	81,712
Capital assets			
Land	248,833	1,944,507	2,193,340
Buildings and improvements	1,714,417	66,781	1,781,198
Machinery and equipment	1,381,370	814,060	2,195,430
Water and sewer system	--	9,204,064	9,204,064
Accumulated depreciation	(1,638,366)	(5,575,990)	(7,214,356)
Total assets	<u>3,442,031</u>	<u>7,709,425</u>	<u>11,151,456</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of bonds	--	34,507	34,507
Deferred Outflows Related to Pensions	188,468	94,198	282,666
Total deferred outflows of resources	<u>188,468</u>	<u>128,705</u>	<u>317,173</u>
LIABILITIES			
Accounts payable	10,826	8,960	19,786
Accrued wages	13,210	6,430	19,640
Accrued expenses	--	25,819	25,819
Unearned revenue	3,051	--	3,051
Liabilities payable from restricted assets:			
Meter deposits	--	81,712	81,712
Noncurrent liabilities:			
Net pension liability	437,471	239,759	677,230
Due within one year	--	364,067	364,067
Due in more than one year	13,114	1,866,656	1,879,770
Total liabilities	<u>477,672</u>	<u>2,593,403</u>	<u>3,071,075</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	10,776	4,158	14,934
Total deferred inflows of resources	<u>10,776</u>	<u>4,158</u>	<u>14,934</u>
NET POSITION:			
Net Investment in Capital Assets	1,706,254	4,230,378	5,936,632
Restricted For:			
Debt Service	125,471	--	125,471
Economic Development	424,703	--	424,703
Unrestricted	885,623	1,010,191	1,895,814
Total Net Position	<u>\$ 3,142,051</u>	<u>\$ 5,240,569</u>	<u>\$ 8,382,620</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Administrative	\$ 127,485	\$ --	\$ 502
Council	34,942	--	--
Municipal court	48,971	81,611	--
Police department	618,378	4,479	1,276
Fire department	93,665	--	31,058
Ambulance service	288,304	284,671	--
Street department	174,418	--	81,326
Park department	86,429	46,970	--
Library	205,907	5,583	--
Swimming pool	34,514	9,987	--
Community center	41,415	11,214	--
Economic development and assistance	39,992	--	--
Cemetery	16,763	7,800	9,000
Total governmental activities	<u>1,811,183</u>	<u>452,315</u>	<u>123,162</u>
Business-type Activities:			
Water and Sewer	1,131,117	1,282,322	--
Sanitation	319,999	419,133	--
Total Business-type Activities	<u>1,451,116</u>	<u>1,701,455</u>	<u>--</u>
Total Primary Government	<u>\$ 3,262,299</u>	<u>\$ 2,153,770</u>	<u>\$ 123,162</u>

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Occupancy taxes
 Unrestricted investment earnings
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position
 Net Position - Beginning
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (126,983)		\$ (126,983)
(34,942)		(34,942)
32,640		32,640
(612,623)		(612,623)
(62,607)		(62,607)
(3,633)		(3,633)
(93,092)		(93,092)
(39,459)		(39,459)
(200,324)		(200,324)
(24,527)		(24,527)
(30,201)		(30,201)
(39,992)		(39,992)
37		37
<u>(1,235,706)</u>		<u>(1,235,706)</u>
--	\$ 151,205	151,205
--	99,134	99,134
<u>--</u>	<u>250,339</u>	<u>250,339</u>
<u>(1,235,706)</u>	<u>250,339</u>	<u>(985,367)</u>
882,057	--	882,057
380,338	--	380,338
224,751	--	224,751
12,698	--	12,698
5,947	1,924	7,871
6,340	--	6,340
<u>(130,623)</u>	<u>130,623</u>	<u>--</u>
<u>1,381,508</u>	<u>132,547</u>	<u>1,514,055</u>
145,802	382,886	528,688
2,996,249	4,857,683	7,853,932
<u>\$ 3,142,051</u>	<u>\$ 5,240,569</u>	<u>\$ 8,382,620</u>

CITY OF FRIONA, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Economic Development	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,028,385	\$ 98,067	\$ 424,432	\$ 1,550,884
Receivables (net of allowances for uncollectibles):				
Interest	--	--	271	271
Taxes	26,009	12,575	--	38,584
Accounts	142,975	--	--	142,975
Due from other funds	--	26,423	--	26,423
Due from other governments	2,083	981	--	3,064
Total assets	<u>\$ 1,199,452</u>	<u>\$ 138,046</u>	<u>\$ 424,703</u>	<u>\$ 1,762,201</u>
LIABILITIES				
Accounts payable	\$ 10,826	\$ --	\$ --	\$ 10,826
Accrued wages	13,210	--	--	13,210
Due to other funds	26,423	--	--	26,423
Unearned revenue	3,051	--	--	3,051
Total liabilities	<u>53,510</u>	<u>--</u>	<u>--</u>	<u>53,510</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue property taxes	26,009	12,575	--	38,584
Total Deferred Inflows of Resources	<u>26,009</u>	<u>12,575</u>	<u>--</u>	<u>38,584</u>
FUND BALANCES				
Nonspendable fund balances:				
Restricted fund balances:				
Debt service	--	125,471	--	125,471
Economic Development	--	--	424,703	424,703
Assigned Fund Balances:				
Construction and Acquisition of Capital Assets	265,842	--	--	265,842
Unassigned	854,091	--	--	854,091
Total fund balance	<u>1,119,933</u>	<u>125,471</u>	<u>424,703</u>	<u>1,670,107</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 1,199,452</u>	<u>\$ 138,046</u>	<u>\$ 424,703</u>	<u>\$ 1,762,201</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS

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

Total fund balances - governmental funds balance sheet	\$ 1,670,107
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,706,254
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	38,584
Payables for compensated absences which are not due in the current period are not reported in the funds.	(13,114)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(437,471)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(10,776)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>188,468</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,142,051</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS

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

	General Fund	Debt Service Fund	Economic Development	Total Governmental Funds
Revenues				
Property taxes	\$ 598,752	\$ 282,875	\$ --	\$ 881,627
Sales taxes	285,253	--	95,085	380,338
Franchise taxes	224,751	--	--	224,751
Occupancy taxes	12,698	--	--	12,698
Licenses and permits	3,499	--	--	3,499
Intergovernmental	146,820	--	--	146,820
Charges for services	249,838	--	--	249,838
Fines	85,650	--	--	85,650
Interest	4,689	88	1,170	5,947
Miscellaneous	96,010	--	--	96,010
Total revenues	<u>1,707,960</u>	<u>282,963</u>	<u>96,255</u>	<u>2,087,178</u>
Expenditures				
Current:				
Administrative	113,143	--	--	113,143
Council	34,942	--	--	34,942
Municipal court	48,971	--	--	48,971
Police department	566,316	--	--	566,316
Fire department	64,672	--	--	64,672
Ambulance service	270,734	--	--	270,734
Street department	152,899	--	--	152,899
Park department	67,314	--	--	67,314
Library	196,283	--	--	196,283
Swimming pool	23,983	--	--	23,983
Community center	38,290	--	--	38,290
Economic development and assistance	--	--	39,992	39,992
Cemetery	14,445	--	--	14,445
Capital outlay	194,597	--	--	194,597
Total expenditures	<u>1,786,589</u>	<u>--</u>	<u>39,992</u>	<u>1,826,581</u>
Excess (deficiency) of revenues (under) expenditures	(78,629)	282,963	56,263	260,597
Other financing sources (uses)				
Operating transfers in	152,000	--	--	152,000
Operating transfers out	--	(282,623)	--	(282,623)
Total other financing sources (uses)	<u>152,000</u>	<u>(282,623)</u>	<u>--</u>	<u>(130,623)</u>
Net change in fund balance	73,371	340	56,263	129,974
Fund balances, beginning of year	1,046,562	125,131	368,440	1,540,133
Fund balances, ending of year	<u>\$ 1,119,933</u>	<u>\$ 125,471</u>	<u>\$ 424,703</u>	<u>\$ 1,670,107</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS

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

Net change in fund balances - total governmental funds	\$ 129,974
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	194,597
The depreciation of capital assets used in governmental activities is not reported in the funds.	(171,371)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	431
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	13,921
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(21,749)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 145,802</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2017

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Sanitation Fund</u>	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 985,130	\$ 39,034	\$ 1,024,164
Receivables (net of allowances for uncollectible)	111,594	38,533	150,127
Total current assets	<u>1,096,724</u>	<u>77,567</u>	<u>1,174,291</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents			
Customer meter deposits	81,712	--	81,712
Total Restricted Assets	<u>81,712</u>	<u>--</u>	<u>81,712</u>
Capital assets:			
Land	1,944,507	--	1,944,507
Buildings and improvements	61,781	5,000	66,781
Machinery and equipment	677,863	136,197	814,060
Water and sewer system	9,204,064	--	9,204,064
Accumulated depreciation	(5,441,474)	(134,516)	(5,575,990)
Total capital assets, net of accumulated depreciation	<u>6,446,741</u>	<u>6,681</u>	<u>6,453,422</u>
Total noncurrent assets	<u>6,528,453</u>	<u>6,681</u>	<u>6,535,134</u>
Total assets	<u>7,625,177</u>	<u>84,248</u>	<u>7,709,425</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of bonds	34,507	--	34,507
Deferred Outflows Related to Pensions	94,198	--	94,198
Total deferred outflows of resources	<u>\$ 128,705</u>	<u>\$ --</u>	<u>\$ 128,705</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 6,478	\$ 2,482	\$ 8,960
Accrued wages	6,430	--	6,430
Accrued expenses	25,819	--	25,819
Certificate of obligation payable	115,000	--	115,000
Refunding bonds payable	205,000	--	205,000
Lease obligations payable	44,067	--	44,067
Total Current Liabilities	<u>402,794</u>	<u>2,482</u>	<u>405,276</u>
Liabilities payable from restricted assets:			
Meter deposits	81,712	--	81,712
Total Liabilities payable from restricted assets	<u>81,712</u>	<u>--</u>	<u>81,712</u>
Noncurrent Liabilities:			
Compensated absences	7,679	--	7,679
Certificate of obligation payable	300,000	--	300,000
Refunding bonds payable	905,000	--	905,000
Net pension liability	239,759	--	239,759
Lease obligations payable	653,977	--	653,977
Total Noncurrent Liabilities	<u>2,106,415</u>	<u>--</u>	<u>2,106,415</u>
Total Liabilities	<u>2,590,921</u>	<u>2,482</u>	<u>2,593,403</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	4,158	--	4,158
Total deferred inflows of resources	<u>4,158</u>	<u>--</u>	<u>4,158</u>
NET POSITION			
Net Investment in Capital Assets	4,223,699	6,681	4,230,380
Unrestricted	935,104	75,085	1,010,189
Total net position	<u>\$ 5,158,803</u>	<u>\$ 81,766</u>	<u>\$ 5,240,569</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Sanitation Fund</u>	Total Enterprise Funds
Operating revenues			
Charges for services	\$ 1,282,322	\$ 419,133	\$ 1,701,455
Total operating revenues	<u>1,282,322</u>	<u>419,133</u>	<u>1,701,455</u>
Operating expenses			
Personnel services	455,701	--	455,701
Purchased services	25,997	311,556	337,553
Supplies and maintenance	148,263	3,798	152,061
Other expenses	117,428	--	117,428
Depreciation	290,697	4,645	295,342
Total operating expenses	<u>1,038,086</u>	<u>319,999</u>	<u>1,358,085</u>
Operating income (loss)	<u>244,236</u>	<u>99,134</u>	<u>343,370</u>
Nonoperating revenues (expenses)			
Interest revenue	1,651	273	1,924
Interest expense	(93,031)	--	(93,031)
Total non-operating revenues (expenses)	<u>(91,380)</u>	<u>273</u>	<u>(91,107)</u>
Income (Loss) before transfers	152,856	99,407	252,263
Transfers in	282,623	--	282,623
Transfers out	(60,000)	(92,000)	(152,000)
Total transfers	<u>222,623</u>	<u>(92,000)</u>	<u>130,623</u>
Change in net position	375,479	7,407	382,886
Total net position, beginning	4,783,324	74,359	4,857,683
Total net position, ending	<u>\$ 5,158,803</u>	<u>\$ 81,766</u>	<u>\$ 5,240,569</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 1,273,817	420,122	\$ 1,693,939
Cash Payments to Employees for Services	453,163	--	453,163
Cash Payments to Other Suppliers for Goods and Services	(1,192,429)	(315,283)	(1,507,712)
Net Cash Provided (Used) by Operating Activities	<u>534,551</u>	<u>104,839</u>	<u>639,390</u>
Cash Flows from Non-capital Financing Activities:			
Operating Transfers From (To) Other Funds	222,623	(92,000)	130,623
Net Cash Provided (Used) by Non-capital Financing Activities	<u>222,623</u>	<u>(92,000)</u>	<u>130,623</u>
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest Paid	(441,788)	--	(441,788)
Acquisition or Construction of Capital Assets	(268,339)	--	(268,339)
Proceeds from Sale of Capital Assets	--	--	--
Insurance Recovery from Capital Assets	--	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(710,127)</u>	<u>--</u>	<u>(710,127)</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	1,651	273	1,924
Net Cash Provided (Used) for Investing Activities	<u>1,651</u>	<u>273</u>	<u>1,924</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(90,628)	13,112	(77,516)
Cash and Cash Equivalents at Beginning of Year	1,018,144	25,922	1,044,066
Cash and Cash Equivalents at End of Year	<u>\$ 927,516</u>	<u>39,034</u>	<u>\$ 966,550</u>
Classified As:			
Current Assets	985,130	39,034	1,024,164
Restricted Assets	81,712	--	81,712
Totals	<u>\$ 1,066,842</u>	<u>39,034</u>	<u>\$ 1,105,876</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 244,236	99,134	\$ 343,370
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (used) by Operating Activities			
Depreciation and Amortization	290,697	4,645	295,342
Difference between employer cash contributions to pension plan and noncash pension expense	12,807	--	12,807
Change in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(8,505)	989	(7,516)
Decrease (Increase) in Due from Other Funds	--	--	--
Increase (Decrease) in Accounts Payable	(806)	71	(735)
Increase (Decrease) in Due to Other Funds	--	--	--
Increase (Decrease) in Meter Deposits	2,337	--	2,337
Increase (Decrease) in Accrued Expenses	(74)	--	(74)
Change in Compensated Absences	(6,141)	--	(6,141)
Total Adjustments	<u>290,315</u>	<u>5,705</u>	<u>296,020</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 534,551</u>	<u>104,839</u>	<u>\$ 639,390</u>

The accompanying notes are an integral part of this statement.

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies

The Basic Financial Statements of the City of Friona, Texas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accounts audit and accounting guide titled State and Local Governments. The Governmental Accounting and Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities related to business-type activities and enterprise funds, including component units, the City applies all applicable GASB pronouncements as well as Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements. The more significant accounting policies are described below.

1. Reporting Entity

The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in 1906, is located in the northwestern part of the state. The City currently occupies a land area of 1.4 square miles and serves a population approximating 4,082. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City provides a full range of services including public safety, water and wastewater, solid waste, parks, highways and streets, planning and zoning and general administrative services.

The Basic Financial Statements present the City and its component units and include all activities and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's Basic Financial Statements are based upon and consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, "Defining the Financial Reporting Entity." The criteria include the following:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

As required by GAAP, the Basic Financial Statements present the reporting entity which consists of the City (the primary government) organization for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's Basic Financial Statements to be misleading or incomplete.

In conformity with generally accepted accounting principles, the following financial statements of component units have been included in the City's financial statements as blended component units.

They are:

<u>Name of Component Unit</u>	<u>Brief Description of Activities and Relationship to City</u>	<u>Reporting Funds</u>
Friona Economic Development Corporation	Promote, Assist and Enhance Economic Development in the City. Governed by a seven member Mayor and City Council.	Special Revenue Fund

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

All budgets, programs and policies
must be submitted to the City
Council for approval

Joint Ventures

The City of Friona has the following joint ventures at September 30, 2017. The City of Friona in conjunction with the Lazbuddie Independent School District, City of Farwell, Bovina Independent School District, Friona Independent School District, Farwell Independent School District, Parmer County, Farwell Hospital District, Bailey County Hospital District, Parmer County Hospital District, and County Education District #185999 created Parmer County Appraisal District pursuant to the laws of the State of Texas, for the appraisal and collection of property taxes. Parmer County Appraisal District is governed by a five-member board composed of two appointees by Friona area and one each by the Bovina and Farwell areas and Lazbuddie Independent School District. Each taxing entity is liable for its share of the cost of operating Parmer County Appraisal District. In accordance with the agreement with each taxing entity, excess funds will be paid annually at the discretion of Parmer County Appraisal Board. All known cost and refunds have been shown in current financial statements. Complete financial statements for Parmer County Appraisal District can be obtained from Parmer County Appraisal District, 305 3rd Street, Bovina, Texas.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Debt Service Fund: The City accounts for resources accumulated and payments made for principal

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

and interest on long-term general obligation debt of governmental funds in a debt service fund.

Economic Development Fund: The City accounts for sales taxes specifically received to promote assist or enhance economic development.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All cost are through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Sanitation Fund is used to account for operations of solid waste collection and disposal services. All cost are financed through charges to sanitation customers.

b. Measurement Focus, Basis of Accounting

Government-wide and Enterprise Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled cash accounts are available upon demand and are considered to "cash equivalents" when preparing these financial statements.

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

CITY OF FRIONA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The City has a contract with Parmer County Appraisal District for the collection of property taxes.

The City is permitted by the State of Texas to levy taxes up to \$1.50 per \$100 of assessed valuation. Within this \$1.50 maximum, there is no legal limit upon the amount of taxes which may be levied for the debt service. The tax rate to finance general government service for the year ended September 30, 2017 was \$0.5098 per \$100 which means that the City has a tax margin of \$.9902 per \$100 and could raise up to \$1,146,727 additional a year from the present assessed valuation of \$115,807,618 before the limit is reached.

Allowances for uncollectible are based upon historical experience in collecting property taxes. In accordance with Texas Property Tax Code Sec. 33.05 Limitation on Collection of Taxes:

- * Personal property may not be seized and a suit may not be filed:
 - To collect a tax on personal property that has been delinquent more than four years: or
 - To collect a tax on real property that has been delinquent more than 20 years.
- * A tax delinquent for more than the limitation period prescribed by this section and any penalty and interest on the tax is presumed paid unless a suit to collect the tax is pending.

c. Inventories

Supply inventories are recorded by the purchase method. Under the purchase method inventory items are expensed at the time a liability is created. Because the City had an insignificant amount of inventory at year end, no amounts have been shown on the financial statement.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

The City (defined as a phase 3 government in GASB Statement No. 34 "Basic Financial Statements-Management's Discussion and Analysis- for State and Local Government") has elected not to retroactively rereport general infrastructure assets, therefore general infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	15-50
Machinery and Equipment	5-15
Water and Sewer System	25-50

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. **Compensated Absences**

Regular full-time employees shall earn 8 hours of sick leave for each month of full-time employment and shall only accrue a maximum of 480 hours of sick leave. Upon retirement from the City, employees will be paid for 25% of accumulated sick leave, not to exceed fifteen days.

Regular full-time employees shall accrue vacation leave, with the maximum accrual equal to, but not more than, two times his or her annual rate. Employees with 10 years or more of service may be paid up to two weeks of vacation leave time. Payment of this vacation leave shall be computed on the salary in place at time of the accrual.

Vacation leave is earned as follows:

Service with City	Vacation Hours	Vacation Days	Hours Per Week
1-5 years	80	10	40
5 - 10 Years	120	15	40
11 years and over	160	20	40

g. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or 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.

h. **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

from those estimates.

j. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 15, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Total expenditures may not exceed total appropriation for any budgeted fund without amending the budget.
5. GASB Statement No. 34 Requires that budgetary comparison statements for the General Fund and major special funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).
6. Budgets for the General and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end.

Budgeted amount are as originally adopted, or as amended by the City Council throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

k. Restricted Assets

These assets consist of cash restricted for customer meter deposits.

l. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond expenditures are recorded as an expense in the period incurred.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Fund Equity

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form or legally required to remain intact.

CITY OF FRIONA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. Debt services resources are to be used for future servicing of the Certificates of Obligations and are restricted through debt covenants. Taxes collected for Economic Development.

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

n. Net Position on the Government-wide Statement:

In the government-wide statements, net position are reported in the three components- net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct or improve those assets. Restricted net assets are reported when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or by enabling legislation. Unrestricted net assets that do not meet the definition of either of the first categories of net position.

4. New Accounting Standards Adopted

In fiscal year 2017, the City adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 80, *Blending Requirements for Certain Component Units*
- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making

CITY OF FRIONA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures.

The scope of this Statement includes OPEB plans, defined benefit and defined contribution that are administered through trusts that meet the following criteria:

- 1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- 3) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The City does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

- b. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The City did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

- c. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance- related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

At year-end, the carrying amount of deposits for the City of Friona was \$2,541,053 and the year-end bank balance was \$2,679,869. The total of demand deposits and short term- certificates of deposit were covered by Federal Depository Insurance, by collateral held by the City's agent in the City's name, by letters of credit from the Federal Home Loan Bank of Dallas purchased by the depository institution, or by collateral held at appropriate custodial banks as delivered by the depository institution for the various certificates of deposit and investment accounts other than those held by the City's agent bank.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2017, none of the City's deposits

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

were exposed to custodial credit risk. The total of demand deposits and certificates of deposit were covered by FDIC, by collateral held by the City's agent in the City's name, by letters of credit from the Federal Home Loan Bank of Dallas purchased by the depository institution, or by collateral held at appropriate custodial banks as delivered by the depository institution for certificates of deposit, and investment accounts other than those held at the City's fiscal agent bank.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk, at year end, the City was not significantly exposed to credit risk.

At September 30, 2017, the City's investments, were obligations of or guaranteed by the U. S. Government.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

The City's temporary investments at September 30, 2017, were money market savings accounts and certificates of deposit.

D. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 268,833	\$ --	\$ 20,000	\$ 248,833
Construction in progress	18,746	--	18,746	--
Total capital assets not being depreciated	<u>287,579</u>	<u>--</u>	<u>38,746</u>	<u>248,833</u>
Capital assets being depreciated:				
Buildings and improvements	1,536,800	177,617	--	1,714,417
Machinery and Equipment	1,345,644	35,726	--	1,381,370
Total capital assets being depreciated	<u>2,882,444</u>	<u>213,343</u>	<u>--</u>	<u>3,095,787</u>
Less accumulated depreciation for:				
Buildings and improvements	655,564	45,342	--	700,906
Machinery and Equipment	811,431	126,029	--	937,460
Total accumulated depreciation	<u>1,466,995</u>	<u>171,371</u>	<u>--</u>	<u>1,638,366</u>
Total capital assets being depreciated, net	<u>1,415,448</u>	<u>384,714</u>	<u>--</u>	<u>1,457,420</u>
Governmental activities capital assets, net	<u>\$ 1,703,028</u>	<u>\$ 384,714</u>	<u>\$ 38,746</u>	<u>\$ 1,706,253</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,944,507	\$ --	\$ --	\$ 1,944,507
Construction in progress	19,078	--	19,078	--
Total capital assets not being depreciated	<u>1,963,585</u>	<u>--</u>	<u>19,078</u>	<u>1,944,507</u>
Capital assets being depreciated:				
Buildings and improvements	66,781			66,781
Machinery and Equipment	542,010	272,050		814,060
Water and Sewer System	9,188,697	15,368		9,204,064
Total capital assets being depreciated	<u>9,797,488</u>	<u>287,418</u>	<u>--</u>	<u>10,084,906</u>
Less accumulated depreciation for:				
Buildings and improvements	32,558	1,867		34,425
Machinery and Equipment	422,294	38,789		461,083
Water and Sewer System	4,825,795	254,686		5,080,481

CITY OF FRIONA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Total accumulated depreciation	5,280,647	295,342	--	5,575,989
Total capital assets being depreciated, net	4,516,841	582,760	--	4,508,916
Business-type activities capital assets, net	\$ 6,480,425	\$ 582,760	\$ 19,078	\$ 6,453,424

Depreciation was charged to functions as follows:

Administrative	\$ 11,364
Library	6,633
Police	49,854
Fire	28,993
Ambulance Service	18,840
Streets	21,811
Parks	17,902
Community Center	3,125
Swimming Pool	10,531
Cemetery	2,318
	<u>\$ 171,371</u>

Depreciation was charged to Business-type Activities functions as follows:

Water and Sewer	\$ 290,697
Sanitation	4,645
	<u>295,342</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
Debt Service Fund	General Fund	26,423	Tax receipts reclassification
	Total	<u>\$ 26,423</u>	

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
Sanitation Fund	General Fund	\$ 92,000	Reimburse expenditures
Water and Sewer Fund	General Fund	60,000	Reimburse expenditures
Debt service Fund	Water and Sewer Fund	282,623	Debt Service Payments
	Total	<u>\$ 434,623</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
-------------------	-----------	-----------	----------------	-----------------------------

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Governmental activities:

Compensated absences	\$ 27,034	\$ --	\$ 13,920	\$ 13,114	\$ --
Net Pension Liability	439,467		1,996	437,471	
Total governmental activities	<u>\$ 466,501</u>	<u>\$ --</u>	<u>\$ 15,917</u>	<u>\$ 450,585</u>	<u>\$ --</u>

Business-type activities:

Tax and Revenue Certificates of Obligation

Series 2012	535,000		120,000	415,000	115,000
Refunding Bonds					
Series 2011	1,305,000	--	195,000	1,110,000	205,000
Capital leases	739,682	--	41,639	698,043	44,067
Compensated absences	13,821	--	6,147	7,674	--
Net Pension Liability	240,945		1,186	239,759	--
Total business-type activities	<u>\$ 2,834,448</u>	<u>\$ --</u>	<u>\$ 363,972</u>	<u>\$ 2,470,476</u>	<u>\$ 364,067</u>

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General
Net Pension liability	Governmental	General
Net Pension liability	Business-type	Water & Sewer
Compensated absences	Business-type	Water & Sewer

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2017, are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ --	\$ --	\$ --
2019	364,067	77,487	77,487
2020	988,977	48,758	1,037,735
2021	340,000	21,090	361,090
2022	290,000	12,200	302,200
2023-2027	240,000	3,960	243,960
Totals	<u>\$ 2,223,043</u>	<u>\$ 163,495</u>	<u>\$ 2,022,472</u>

Tax and Waterworks and Sewer System Revenue Certificate of Obligation

The City of Friona issued Tax and Waterworks and Sewer System Revenue Certificate of Obligation, Series 2012, in the amount of \$1,000,000, dated July 1, 2012, for the following purposes: improvements to the city waterworks and sewer system including the acquisition of land for expansion of the city's sewer treatment plant and professional services rendered in relation to such projects. The City of Friona pledges the net revenues of City's Waterworks and System and the levy and collection of direct ad valorem tax on taxable property within the City of Friona for payment on the certificates of Obligation, therefore the liability for the Certificate of Obligation is recorded in the financial statement of the Water and Sewer Fund.

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate %</u>
2018	115,000	7,150	122,150	2.00%
2019	120,000	4,800	124,800	2.00%
2020	120,000	2,400	122,400	2.00%
2021	60,000	600	60,600	2.00%
	<u>\$ 415,000</u>	<u>\$ 14,950</u>	<u>\$ 429,950</u>	

General Obligation Refunding Bonds

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

On April 1, 2011, the City issued \$2,055,000 in General Obligation Refunding Bonds, Series 2011 with interest rates from 2.0% to 3.5% to refund \$ 1,945,000 of Certificates of Obligation Series 2002 with interest rates from 4.0% to 4.5%. The net proceeds plus an additional \$25,000 of City's funds were deposited with The Bank of New York Mellon Trust Company, Dallas, Texas to refund all the debt service on the General Obligation Refunding Bonds, Series 2002 on February 15, 2012, except for \$145,000 plus interest that will be retired by the City on February 15, 2012. The \$1,945,000 of Series 2002 liability have been removed from the City's financial statements. The City of Friona pledge the levy and collection of direct ad valorem tax on taxable property within the City of Friona for payment on the Refunding Bonds, but currently is using the net revenue of the Waterworks and Sewer System to retire the Refunding Bonds, therefore the liability for the Refunding Bonds is recorded in the financial statement of Water and Sewer Fund.

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate %</u>
2018	205,000	30,841	235,841	2.00%
2019	215,000	25,164	240,164	2.00%
2020	220,000	18,690	238,690	2.00%
2021	230,000	11,600	241,600	2.00%
2022	240,000	3,960	243,960	2.20% - 3.30%
	<u>\$ 1,110,000</u>	<u>\$ 90,255</u>	<u>\$ 1,200,255</u>	

Capital Lease

The City of Friona on April 14, 2008 entered into a lease purchase agreement with DivLend Equipment Leasing, L.L.C. for the purpose of procuring: North Well Field Water System Improvements, East Booster Station Water System Improvements, Surveying, and Engineering. The Following is a summary of the lease requirements to maturity:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Purchase Option</u>	<u>Interest Rate %</u>
2018	44,067	39,496	83,563	658,379	5.68%
2019	653,977	18,794	672,771		5.68%
	<u>\$ 698,043</u>	<u>\$ 58,290</u>	<u>\$ 839,898</u>		

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.tmrs.com.

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

2. Benefits Provided

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

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

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>23</u>
Total covered employees	<u><u>58</u></u>

3. Contributions

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

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

4. Net Pension Liability

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

Actuarial assumptions:

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

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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.

Changes in Net Pension Liability	Increase (Decrease)		
	\$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 4,743,474	\$ 4,063,062	\$ 680,412
Changes for the year			
Service cost	94,915	--	94,915
Interest	316,771	--	316,771
Change of benefit terms	--	--	--
Difference between expected and actual experience	--	--	--
Changes of assumptions	(7,001)	--	(7,001)
Contributions - employer	--	94,748	(94,748)
Contributions - employee	--	41,776	(41,776)
Net investment income	--	274,611	(274,611)
Benefit payments, including refunds of employee contributions	(196,069)	(196,069)	--
Administrative expense	--	(3,101)	3,101
Other changes	--	(167)	167
Net changes	\$ 208,616	\$ 211,798	\$ (3,182)
Balance at 12/31/2016	\$ 4,952,090	\$ 4,274,860	\$ 677,230

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 1,384,015	\$ 677,230	\$ 98,692

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.

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

For the year ended September 30, 2017, the City recognized pension expense of \$139,333.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 14,934
Changes in actuarial assumptions	\$ 11,423	\$ --
Difference between projected and actual		

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

investment earnings	\$ 186,544	\$ --
Contributions subsequent to the measurement date	\$ <u>84,698</u>	<u>--</u>
Total	\$ <u><u>282,665</u></u>	\$ <u><u>14,934</u></u>

\$84,698 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:	
2018	\$ 64,693
2019	\$ 63,482
2020	\$ 54,928
2021	\$ (70)
2022	\$ --
Thereafter	\$ --

I. Health Care Coverage

During the year ended September 30, 2017, employees of the City were covered through TML MultiState IEBP, The City paid premiums of \$485 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. Under this plan, the City is not liable for costs incurred beyond the premiums paid.

Latest financial statements for the TML Employee Benefit Pool are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. Contingent liabilities

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

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney, such matters will not have a materially adverse effect on the City's financial position at September 30, 2017.

K. Unearned Revenue

Unearned Revenues at September 30, 2017, consist of the following:

	General Fund
Municipal Court	<u>3,051</u>

L. Sanitation Disposal Contract

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The City entered into a contract with Allied Waste Services for the removal and disposal of trash from the City. The contract at each annual anniversary date is automatically extended for one additional year so that the remaining term of the contract, as of each anniversary date, shall be five years, unless the City gives a cancellation notice.

M. Defined Benefit Life Insurance

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

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

Your city offers supplemental death to:	Plan year 2016	Plan year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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.

Schedule of Contribution Rates:
 (RETIREE-ONLY PORTION OF THE RATE)

Plan/ Calendar Year	Annual Required Contribution (RATE)	Actual Contribution Made (RATE)	Percentage of ARC Contributed
2012	0.01%	0.01%	100.00%
2013	0.02%	0.02%	100.00%
2014	0.03%	0.03%	100.00%
2015	0.04%	0.04%	100.00%
2016	0.05%	0.05%	100.00%
2016	0.05%	0.05%	100.00%

N. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created with Internal Revenue code 457. The plan, is available to all employees, permits them to defer a portion of their salary until future years, participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(b), Which allows for the plan to hold its assets in trust. Under these requirements, the District does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

O. Subsequent Events

CITY OF FRIONA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The date to which events occurring after September 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 6, 2017 which is the date on which the financial statements were issued.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF FRIONA, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Property taxes	\$ 583,330	\$ 583,330	\$ 598,752	\$ 15,422
Sales taxes	290,000	290,000	285,253	(4,747)
Franchise taxes	222,000	222,000	224,751	2,751
Occupancy taxes	11,000	11,000	12,698	1,698
Licenses and permits	4,000	4,000	3,499	(501)
Intergovernmental	80,600	80,600	65,494	(15,106)
Charges for services	232,000	232,000	249,838	17,838
Fines	95,650	95,650	85,650	(10,000)
Interest	4,275	4,275	4,689	414
Miscellaneous	68,350	68,350	96,010	27,660
Total revenues	<u>1,591,205</u>	<u>1,591,205</u>	<u>1,626,634</u>	<u>35,429</u>
Expenditures				
Current:				
Administrative	121,000	121,000	113,143	7,857
Council	50,000	50,000	34,942	15,058
Municipal court	50,000	50,000	48,971	1,029
Police department	616,600	616,600	566,316	50,284
Fire department	52,469	52,469	64,672	(12,203)
Ambulance service	258,000	258,000	270,734	(12,734)
Street department	167,000	167,000	152,899	14,101
Park department	77,400	77,400	67,314	10,086
Library	209,000	209,000	196,283	12,717
Swimming pool	28,000	28,000	23,983	4,017
Community center	35,000	35,000	38,290	(3,290)
Cemetery	18,740	18,740	14,445	4,295
Capital outlay	354,791	354,791	194,597	160,194
Total expenditures	<u>2,038,000</u>	<u>2,038,000</u>	<u>1,786,589</u>	<u>251,411</u>
Excess (deficiency) of revenues (under) expenditures	(446,795)	(446,795)	(159,955)	286,840
Other financing sources (uses)				
Sale of Assets	4,400	4,400	--	(4,400)
Operating transfers in	150,000	150,000	152,000	2,000
Total other financing sources (uses)	<u>154,400</u>	<u>154,400</u>	<u>152,000</u>	<u>(2,400)</u>
Net change in fund balance	(292,395)	(292,395)	(7,955)	284,440
Fund balances, beginning of year	1,046,562	1,046,562	1,046,562	--
Fund balances, end of year	<u>\$ 754,167</u>	<u>\$ 754,167</u>	<u>\$ 1,038,607</u>	<u>\$ 284,440</u>

CITY OF FRIONA, TEXAS
 ECONOMIC DEVELOPMENT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Sales taxes	\$ 96,600	\$ 96,600	\$ 95,085	\$ (1,515)
Interest	180	180	1,170	990
Total revenues	<u>96,780</u>	<u>96,780</u>	<u>96,255</u>	<u>(525)</u>
Expenditures				
Current:				
Economic development and assistance	131,780	131,780	39,992	91,788
Total expenditures	<u>131,780</u>	<u>131,780</u>	<u>39,992</u>	<u>91,788</u>
Excess (deficiency) of revenues (under) expenditures	(35,000)	(35,000)	56,263	91,263
Other financing sources (uses)				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	(35,000)	(35,000)	56,263	91,263
Fund balances, beginning of year	368,440	368,440	368,440	--
Fund balances, end of year	<u>\$ 333,440</u>	<u>\$ 333,440</u>	<u>\$ 424,703</u>	<u>\$ 91,263</u>

CITY OF FRIONA, TEXAS

SCHEDULE OF CHANGE IN NET LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	2015	2016	2017
Total pension liability			
Service Cost	\$ 81,313	\$ 92,805	\$ 94,915
Interest (on the Total Pension Liability)	301,119	312,084	316,771
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(80,017)	(28,773)	(7,001)
Change of assumptions	-	32,773	--
Benefit payments, including refunds of employee contributions	(148,319)	(154,721)	(196,069)
Net Change in Total Pension Liability	<u>154,096</u>	<u>254,168</u>	<u>208,616</u>
Total Pension Liability - Beginning	<u>4,335,210</u>	<u>4,489,306</u>	<u>4,743,474</u>
Total Pension Liability - Ending (a)	<u>\$ 4,489,306</u>	<u>\$ 4,743,474</u>	<u>\$ 4,952,090</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 105,718	\$ 106,576	\$ 94,748
Contributions - Employee	42,940	43,859	41,776
Net Investment Income	220,086	5,999	274,611
Benefit payments, including refunds of employee contributions	(148,319)	(154,721)	(196,069)
Administrative Expense	(2,298)	(3,654)	(3,101)
Other	(189)	(181)	(167)
Net Change in Plan Fiduciary Net Position	<u>217,938</u>	<u>(2,122)</u>	<u>211,798</u>
Plan Fiduciary Net Position - Beginning	<u>3,847,246</u>	<u>4,065,184</u>	<u>4,063,062</u>
Plan Fiduciary Net Position - Ending (b)	<u>4,065,184</u>	<u>4,063,062</u>	<u>4,274,860</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 424,122</u>	<u>\$ 680,412</u>	<u>\$ 677,230</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.55%	85.66%	86.32%
Covered Employee Payroll	\$ 858,809	\$ 877,173	\$ 835,515
Net Pension Liability as a Percentage of Covered Employee Payroll	49.38%	77.57%	81.06%

Only three years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF FRIONA, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	2015	2016	2017
Actuarially Determined Contribution	\$ 108,536	\$ 103,591	\$ 108,569
Contributions in relation to the actuarially determined contribution	<u>(108,536)</u>	<u>(103,591)</u>	<u>(108,569)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered employee payroll	874,507	880,573	882,984
Contributions as a percentage of covered employee payroll	12.41%	11.76%	12.30%

Only three years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF FRIONA, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010- 2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.