

**CITY OF GEORGE WEST, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**



CITY OF GEORGE WEST  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CITY OF GEORGE WEST

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR	ANDREW GARZA
MAYOR PRO-TERM	KITLEY WASICEK
CITY COUNCIL	ANA GUERRERO
	PATRICIA CLIFTON
	GERALD HARDESTY
CITY MANAGER	GEORGIA VINES
CITY SECRETARY	DEBRA MYERS
INTERIM CITY ATTORNEY	CARLOS VALDEZ
AUDITOR	ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Council  
City of George West

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

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

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

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

### ***Auditor's Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information for the City of George West, 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.

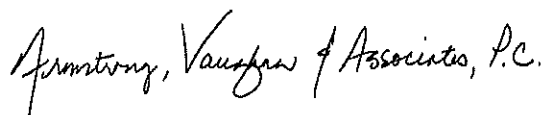
### *Other Matters*

#### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of George West's basic financial statements as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Armstrong, Vaughan & Associates, P.C.

February 21, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of George West'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

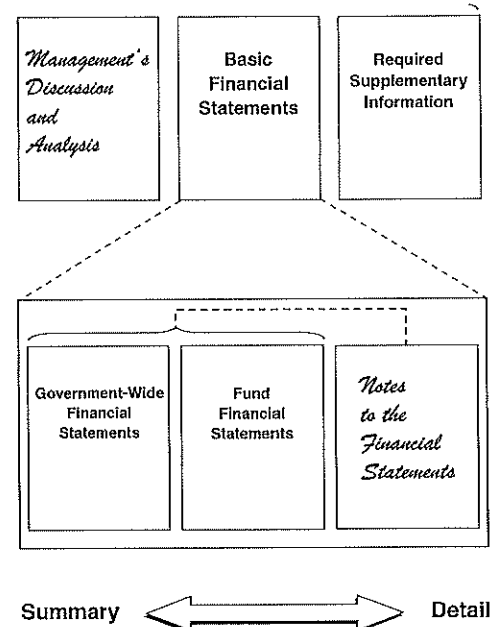
- The City's total combined net position was \$3.49 million at September 30, 2017.
- The general fund reported a fund balance this year of \$312 thousand of which \$308 thousand is unassigned.

### 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:

- 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.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

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



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 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. Major Features of the City's Government-wide and Fund Financial Statements			
Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: sewer
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, & changes in net position • Statement of cash flows
<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 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 payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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.

### 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—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- 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 non-financial 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 charges for services finance most of these activities.

## 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 on the subsequent page, which explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$3.49 million at September 30, 2017. (See Table A-1).

Table A-1 City's Net Position							
	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	
<i>Assets:</i>							
Current Assets	\$ 894,781	\$ 833,344	\$ 461,675	\$ 267,053	\$ 1,356,456	\$ 1,100,397	23.3
Non-Current Assets	1,485,850	2,199,924	3,998,528	3,719,318	5,484,378	5,919,242	(7.3)
<i>Total Assets</i>	<u>2,380,631</u>	<u>3,033,268</u>	<u>4,460,203</u>	<u>3,986,371</u>	<u>6,840,834</u>	<u>7,019,639</u>	(2.5)
<i>Deferred Outflows:</i>							
Deferred Pension Related Outflows	100,908	118,207	27,495	34,353	128,403	152,560	(15.8)
<i>Total Deferred Outflows</i>	<u>100,908</u>	<u>118,207</u>	<u>27,495</u>	<u>34,353</u>	<u>128,403</u>	<u>152,560</u>	(15.8)
<i>Liabilities:</i>							
Current Liabilities	227,737	928,080	253,079	(281,471)	480,816	646,609	(25.6)
Long-Term Liabilities	1,274,053	1,364,625	1,675,172	1,820,430	2,949,225	3,185,055	(7.4)
<i>Total Liabilities</i>	<u>1,501,790</u>	<u>2,292,705</u>	<u>1,928,251</u>	<u>1,538,959</u>	<u>3,430,041</u>	<u>3,831,664</u>	(10.5)
<i>Deferred Inflows:</i>							
Deferred Pension Related Inflows	36,821	-	15,499	-	52,320	-	1.0
<i>Total Deferred Inflows</i>	<u>36,821</u>	<u>-</u>	<u>15,499</u>	<u>-</u>	<u>52,320</u>	<u>-</u>	1.0
<i>Net Position:</i>							
Invested in Capital Assets	213,589	257,362	2,282,222	1,875,912	2,495,811	2,133,274	17.0
Restricted	492,716	481,304	-	-	492,716	481,304	2.4
Unrestricted	236,623	120,104	261,726	605,853	498,349	725,957	(31.4)
<i>Total Net Position</i>	<u>\$ 942,928</u>	<u>\$ 858,770</u>	<u>\$ 2,543,948</u>	<u>\$ 2,481,765</u>	<u>\$ 3,486,876</u>	<u>\$ 3,340,535</u>	4.4

The unrestricted net position represents resources available to fund the programs of the City next year.

## Governmental Activities

- Property appraisal value increased for the fiscal year ending September 30, 2017, increasing property tax revenues by \$56 thousand to \$720 thousand.
- A significant portion of the revenue, 78% comes from taxes, and 17% is received through charges for services.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	
<i>Program Revenues:</i>							
Charges for Services	\$ 379,218	\$ 792,463	\$ 1,563,960	\$ 1,365,242	\$ 1,943,178	\$ 2,157,705	(9.9)
Capital Grants	99,139	136,235	-	-	99,139	136,235	1.0
<i>General Revenues:</i>							
Taxes	1,692,648	1,584,937	-	-	1,692,648	1,584,937	6.8
Interest Earnings	1,395	1,392	1	39	1,396	1,431	(2.4)
Miscellaneous	5,812	33,598	1,478	1,131	7,290	34,729	(79.0)
<i>Total Revenues</i>	<u>2,178,212</u>	<u>2,548,625</u>	<u>1,565,439</u>	<u>1,366,412</u>	<u>3,743,651</u>	<u>3,915,037</u>	<u>(4.4)</u>
<i>Program Expenses:</i>							
General Administration	547,074	944,868	-	-	547,074	944,868	(42.1)
Public Safety	995,592	1,297,519	-	-	995,592	1,297,519	(23.3)
Street Maintenance	238,177	267,628	-	-	238,177	267,628	(11.0)
Culture and Recreation	167,489	207,049	-	-	167,489	207,049	(19.1)
Water	-	-	348,668	461,911	348,668	461,911	(24.5)
Gas	-	-	288,989	256,326	288,989	256,326	12.7
Sewer	-	-	303,666	238,047	303,666	238,047	27.6
Garbage	-	-	252,103	265,728	252,103	265,728	(5.1)
Mechanical	-	-	58,065	63,608	58,065	63,608	(8.7)
Depreciation	-	-	290,090	289,231	290,090	289,231	0.3
Interest on Debt	49,121	45,758	58,276	71,981	107,397	117,739	(8.8)
<i>Total Expenses</i>	<u>1,997,453</u>	<u>2,762,822</u>	<u>1,599,857</u>	<u>1,646,832</u>	<u>3,597,310</u>	<u>4,409,654</u>	<u>(18.4)</u>
Transfers In (Out)	(96,601)	61,702	96,601	(61,702)	-	-	0.0
<i>Change in Net Position</i>	<u>\$ 84,158</u>	<u>\$ (152,495)</u>	<u>\$ 62,183</u>	<u>\$ (342,122)</u>	<u>\$ 146,341</u>	<u>\$ (494,617)</u>	<u>129.6</u>

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. The cost of all *governmental* activities this year was \$2.0 million. Taxpayers paid for 37% of these activities through property taxes of \$720 thousand.

**Table A-3**  
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016		2017	2016	
<i>Governmental Activities:</i>						
General Administration	\$ 547,074	\$ 944,868	(42.1)	\$ 520,595	\$ 871,652	(40.3)
Public Safety	995,592	1,297,519	(23.3)	570,245	514,632	10.8
Street Maintenance	238,177	267,628	(11.0)	218,467	228,718	(4.5)
Culture and Recreation	167,489	207,049	(19.1)	160,668	173,364	(7.3)
<i>Total Governmental Activities</i>	<u>\$ 1,948,332</u>	<u>\$ 2,717,064</u>	<u>(28.3)</u>	<u>\$ 1,469,975</u>	<u>\$ 1,788,366</u>	<u>(17.8)</u>
<i>Business-type Activities:</i>						
Water	\$ 348,668	\$ 461,911	(24.5)	\$ 240,012	\$ 59,245	305.1
Gas	288,989	256,326	12.7	(41,828)	(14,800)	182.6
Sewer	303,666	238,047	27.6	144,632	104,513	38.4
Garbage	252,103	265,728	(5.1)	27,718	(5,728)	(583.9)
Mechanical	58,065	63,608	(8.7)	(58,065)	(63,608)	(8.7)
<i>Total Business-Type Activities</i>	<u>\$ 1,251,491</u>	<u>\$ 1,285,620</u>	<u>(2.7)</u>	<u>\$ 312,469</u>	<u>\$ 79,622</u>	<u>(66.5)</u>

## Business-Type Activities

Revenues of the City's Utility business-type activities increased 14.6% to \$1.6 million, and operating expenses decreased 2.85% to \$1.6 million. Revenues are based on the City's established rates and fluctuations in expenses are primarily related to changes in usage throughout the City. There was a large number of temporary residents who relocated during the prior year due to changes in the oil industry.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$1.7 million. The \$396 thousand decrease from prior year is attributable to the decrease in municipal fines.

## Budgetary Highlights

The City's actual expenditures in the General Fund were \$211 thousand less than the budgeted amounts and revenues were \$224 thousand less than budgeted amounts. This is related to a decrease in municipal fines and grants.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2017, the City had invested \$5.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

**Table A-4**  
City's Capital Assets  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 17	\$ 17	\$ 24	\$ 24	\$ 41	\$ 41	0.0
Buildings and Improvements	1,118	1,234	137	137	1,255	1,371	(8.5)
Equipment	1,627	1,719	999	1,012	2,626	2,731	(3.8)
Infrastructure	598	598	-	-	598	598	0.0
Utility System	-	-	7,892	6,974	7,892	6,974	13.2
Construction in Progress	-	-	-	397	-	397	1.0
Totals at Historical Cost	3,360	3,568	9,052	8,544	12,412	12,112	2.5
Total Accumulated Depreciation	(2,158)	(2,192)	(5,053)	(4,825)	(7,211)	(7,017)	2.8
Net Capital Assets	<u>\$ 1,202</u>	<u>\$ 1,376</u>	<u>\$ 3,999</u>	<u>\$ 3,719</u>	<u>\$ 5,201</u>	<u>\$ 5,095</u>	2.1

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

## Long Term Debt

At year-end, the City had bonds of \$2.9 million outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
City's Long-Term Debt  
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Bonds Payable	\$ 990	\$ 1,045	\$ 1,718	\$ 1,845	\$ 2,708	\$ 2,890	(6.3)
Capital Leases	-	74	-	-	-	74	(100.0)
Total Long-Term Debt	<u>\$ 990</u>	<u>\$ 1,119</u>	<u>\$ 1,718</u>	<u>\$ 1,845</u>	<u>\$ 2,708</u>	<u>\$ 2,964</u>	<u>(8.6)</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged. The economic outlook for Live Oak County remains stable. The City's budget levels remain similar to previous years.

## 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 City Hall at (391) 449-1556.

## BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds
  - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 681,197	\$ 215,816	\$ 897,013
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	67,424	-	67,424
Other	184,488	207,531	392,019
Due From Other Funds	(38,328)	38,328	-
Restricted Assets:			
Cash and Cash Equivalents	282,661	-	282,661
Capital Assets:			
Land	17,210	24,029	41,239
Buildings and Improvements	1,118,345	137,179	1,255,524
Vehicles and Equipment	1,627,189	998,750	2,625,939
Infrastructure	598,125	-	598,125
Utility System	-	7,891,867	7,891,867
Accumulated Depreciation	(2,157,680)	(5,053,297)	(7,210,977)
<b>TOTAL ASSETS</b>	<u>2,380,631</u>	<u>4,460,203</u>	<u>6,840,834</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	<u>100,908</u>	<u>27,495</u>	<u>128,403</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 100,908</u>	<u>\$ 27,495</u>	<u>\$ 128,403</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts Payable	\$ 131,675	\$ 21,306	\$ 152,981
Accrued Wages	13,070	3,298	16,368
Compensated Absences	14,760	5,942	20,702
Accrued Interest	9,132	12,867	21,999
Customer Deposits	-	76,566	76,566
Bonds and Capital Leases Payable Within One Year	59,100	133,100	192,200
<i>Noncurrent Liabilities:</i>			
Bonds and Capital Leases Payable	930,500	1,584,500	2,515,000
Net Pension Liability	343,553	90,672	434,225
<b>TOTAL LIABILITIES</b>	<u>1,501,790</u>	<u>1,928,251</u>	<u>3,430,041</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	<u>36,821</u>	<u>15,499</u>	<u>52,320</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>36,821</u>	<u>15,499</u>	<u>52,320</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	213,589	2,282,222	2,495,811
Restricted for:			
Public Education Fund	3,469	-	3,469
Debt Service	197,676	-	197,676
Municipal Court/Police	224,376	-	224,376
Tourism	67,195	-	67,195
Unrestricted	236,623	261,726	498,349
<b>TOTAL NET POSITION</b>	<u>\$ 942,928</u>	<u>\$ 2,543,948</u>	<u>\$ 3,486,876</u>

See accompanying notes to basic financial statements.



CITY OF GEORGE WEST  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Administration	\$ 547,074	\$ 26,479	\$ -	\$ -
Public Safety	995,592	326,208	99,139	-
Street Maintenance	238,177	19,710	-	-
Culture and Recreation	167,489	6,821	-	-
Interest on Long-term Debt	49,121	-	-	-
Total Governmental Activities	1,997,453	379,218	99,139	-
Business-Type Activities:				
Water	348,668	588,680	-	-
Gas	288,989	247,161	-	-
Sewer	303,666	448,298	-	-
Garbage	252,103	279,821	-	-
Mechanical	58,065	-	-	-
Depreciation	290,090	-	-	-
Interest on Long-term Debt	58,276	-	-	-
Total Business-Type Activities	1,599,857	1,563,960	-	-
Total Primary Government	\$ 3,597,310	\$ 1,943,178	\$ 99,139	\$ -

**General Revenues:**

Taxes
Ad Valorem Taxes
Franchise Taxes
Sales Taxes
Hotel Occupancy Tax
Interest and Investment Earnings
Miscellaneous
<b>Total General Revenues</b>

Transfers

Change in Net Position

**Net Position at Beginning of Year**

**Net Position at End of Year**

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position  
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (520,595)	\$ -	\$ (520,595)
(570,245)	-	(570,245)
(218,467)	-	(218,467)
(160,668)	-	(160,668)
(49,121)	-	(49,121)
<u>(1,519,096)</u>	<u>-</u>	<u>(1,519,096)</u>
-	240,012	240,012
-	(41,828)	(41,828)
-	144,632	144,632
-	27,718	27,718
-	(58,065)	(58,065)
-	(290,090)	(290,090)
-	(58,276)	(58,276)
<u>-</u>	<u>(35,897)</u>	<u>(35,897)</u>
<u>(1,519,096)</u>	<u>(35,897)</u>	<u>(1,554,993)</u>
720,417	-	720,417
172,879	-	172,879
674,880	-	674,880
124,472	-	124,472
1,395	1	1,396
5,812	1,478	7,290
<u>1,699,855</u>	<u>1,479</u>	<u>1,701,334</u>
(96,601)	96,601	-
84,158	62,183	146,341
<u>858,770</u>	<u>2,481,765</u>	<u>3,340,535</u>
<u>\$ 942,928</u>	<u>\$ 2,543,948</u>	<u>\$ 3,486,876</u>

CITY OF GEORGE WEST  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	Major Funds		Other	Total
	General	Debt Service	Nonmajor	Governmental
	Fund	Fund	Funds	Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 413,619	\$ 177,829	\$ 89,749	\$ 681,197
Receivables (net of allowances for uncollectibles):				
Property Taxes	39,489	27,935	-	67,424
Other Receivables	145,694	-	38,794	184,488
Due from Other Funds	-	1,044	102,689	103,733
Restricted Assets				
Cash and Cash Equivalents	-	-	282,661	282,661
<b>TOTAL ASSETS</b>	<b>\$ 598,802</b>	<b>\$ 206,808</b>	<b>\$ 513,893</b>	<b>\$ 1,319,503</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 95,098	\$ -	\$ 36,576	\$ 131,674
Accrued Wages	13,070	-	-	13,070
Due To Other Funds	142,061	-	-	142,061
<i>Total Liabilities</i>	<u>250,229</u>	<u>-</u>	<u>36,576</u>	<u>286,805</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	36,226	26,389	-	62,615
<i>Total Deferred Inflows of Resources</i>	<u>36,226</u>	<u>26,389</u>	<u>-</u>	<u>349,420</u>
<i>Fund Balances:</i>				
Restricted for:				
Public Education Fund	3,469	-	-	3,469
Municipal Court/Police	-	-	224,376	224,376
Debt Service	-	180,419	-	180,419
Future Projects	-	-	185,746	185,746
Tourism	-	-	67,195	67,195
Unassigned	308,878	-	-	308,878
<i>Total Fund Balances</i>	<u>312,347</u>	<u>180,419</u>	<u>477,317</u>	<u>970,083</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 598,802</b>	<b>\$ 206,808</b>	<b>\$ 513,893</b>	<b>\$ 1,319,503</b>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 970,083
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,203,189
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	62,614
Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(14,760)
Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, not reported in the funds.	(989,600)
Accrued interest payable on long-term bonds is not due and payable in the current period and, therefore, not reported in the funds.	(9,132)
Net pension liabilities (and related deferred outflows of resources) do not consume current financial resources and are not reported in the funds.	
Net Pension Liability	(343,553)
Pension Related Deferred Outflows	100,908
Pension Related Deferred Inflows	(36,821)
	<u>(279,466)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 942,928</u>

CITY OF GEORGE WEST  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Major Funds		Total	Total
	General	Debt Service	Nonmajor	Governmental
	Fund	Fund	Funds	Funds
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 416,020	298,585	\$ -	\$ 714,605
Franchise Fees	172,879	-	-	172,879
Sales Taxes	674,880	-	-	674,880
Hotel Occupancy Tax	-	-	133,744	133,744
Fines and Penalties	306,760	-	15,131	321,891
Charges For Service	33,159	-	-	33,159
Grants	79,869	-	-	79,869
Licenses and Permits	19,710	-	-	19,710
Interest Income	1,059	10	326	1,395
Miscellaneous	10,269	-	-	10,269
<b>TOTAL REVENUES</b>	<u>1,714,605</u>	<u>298,595</u>	<u>149,201</u>	<u>2,162,401</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Administration	363,682	-	141,603	505,285
Public Safety	820,265	-	16,797	837,062
Street Maintenance	211,942	-	-	211,942
Culture and Recreation	125,093	-	-	125,093
Municipal Court	119,172	-	13,961	133,133
Capital Outlay	36,885	-	-	36,885
<i>Debt Service:</i>				
Principal	-	129,469	-	129,469
Interest and Fiscal Charges	-	43,914	-	43,914
<b>TOTAL EXPENDITURES</b>	<u>1,677,039</u>	<u>173,383</u>	<u>172,361</u>	<u>2,022,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,566	125,212	(23,160)	139,618
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Assets	90,981	-	-	90,981
Transfers Out	-	(96,601)	-	(96,601)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>90,981</u>	<u>(96,601)</u>	<u>-</u>	<u>(5,620)</u>
Net Change in Fund Balance	128,547	28,611	(23,160)	133,998
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>183,800</u>	<u>151,808</u>	<u>500,477</u>	<u>836,085</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 312,347</u>	<u>\$ 180,419</u>	<u>\$ 477,317</u>	<u>\$ 970,083</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
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 - GOVERNMENTAL FUNDS	\$	133,998
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.		(71,394)
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Governmental funds report proceeds from the sale of capital assets as other financing sources. However in the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of capital assets disposed.		(101,848)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Tax Receivable		5,810

Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that pension expense exceeded the contributions.		(24,688)
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The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal Payments	129,469	129,469

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Compensated Absences	10,563	
Change in Accrued Interest	2,248	12,811

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	84,158
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See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
SEPTEMBER 30, 2017

	Business-Type Activities <u>Utility Fund</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 215,816
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	207,531
Due From Other Funds	<u>38,328</u>
<i>Total Current Assets</i>	<u>461,675</u>
<i>Capital Assets:</i>	
Land	24,029
Building and Improvements	137,179
Machinery and Equipment	998,750
Utility System	7,891,867
Accumulated Depreciation	<u>(5,053,297)</u>
<i>Total Capital Assets, Net</i>	<u>3,998,528</u>
<i>Total Noncurrent Assets</i>	<u>3,998,528</u>
<b>TOTAL ASSETS</b>	<u>4,460,203</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Related Outflows	<u>27,495</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 27,495</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)  
SEPTEMBER 30, 2017

	Business-Type Activities Utility Fund
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 21,306
Accrued Wages	3,298
Compensated Absences	5,942
Accrued Interest Payable	12,867
Customer Deposits	76,566
Current Portion of Bonds Payable	133,100
<i>Total Current Liabilities</i>	<u>253,079</u>
<i>Noncurrent Liabilities:</i>	
Bonds Payable	1,584,500
Net Pension Liability	90,672
<i>Total Noncurrent Liabilities</i>	<u>1,675,172</u>
<b>TOTAL LIABILITIES</b>	<u>1,928,251</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Related Inflows	15,499
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>15,499</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,282,222
Unrestricted	261,726
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,543,948</u></u>

See accompanying notes to basic financial statements.



CITY OF GEORGE WEST  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR SEPTEMBER 30, 2017

	Business-Type Activities
	Utility Fund
<b>OPERATING REVENUES</b>	
Charges for Water Service	\$ 588,680
Charges for Gas Services	247,161
Charges for Sewer Service	448,298
Charges for Garbage Service	279,821
Miscellaneous Income	1,478
<b>TOTAL OPERATING REVENUES</b>	<u>1,565,438</u>
<b>OPERATING EXPENSES</b>	
Personnel	475,489
Supplies	70,392
Services and Charges	377,220
Gas Purchases	81,181
Solid Waste Costs	247,209
Depreciation	290,090
<b>TOTAL OPERATING EXPENSES</b>	<u>1,541,581</u>
<b>OPERATING INCOME (LOSS)</b>	<u>23,857</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	1
Interest Charges	(58,276)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(58,275)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	(34,418)
Transfers In (Out)	<u>96,601</u>
<b>NET INCOME (LOSS)</b>	62,183
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>2,481,765</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,543,948</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Customers	\$ 1,538,803
Cash Paid to Employees for Services	(478,028)
Cash Paid to Suppliers for Goods and Services	(795,213)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>265,562</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Due to Other Funds	521,133
Transfers From (To) Primary Government	96,601
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>617,734</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Construction of Capital Assets	(520,531)
Purchase of Capital Assets	(48,765)
Principal Payments on Long-term Debt	(127,100)
Interest Paid for Financing Activities	(58,826)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND AND FINANCING ACTIVITIES</b>	<u>(755,222)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment Interest Received	<u>1</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>1</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	128,075
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>87,741</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 215,816</u>
<b>Interest Paid During the Year</b>	\$ 58,825

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-Type Activities Sewer Fund
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 23,857
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	290,090
(Increase) Decrease in Operating Assets:	
Accounts Receivable, Net	(28,219)
Deferred Pension Outflows	22,357
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(19,211)
Accrued Wages	(10,176)
Compensated Absences	(2,562)
Customer Deposits	1,584
Net Pension Liability	(12,158)
<b>Total Adjustments to Reconcile Operating Activities</b>	<u>241,705</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 265,562</u></u>

See accompanying notes to basic financial statements.

	Business-Type Activities Sewer Fund
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 23,857
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	290,090
(Increase) Decrease in Operating Assets:	
Accounts Receivable, Net	(28,219)
Deferred Pension Outflows	22,357
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(19,211)
Accrued Wages	(10,176)
Compensated Absences	(2,562)
Customer Deposits	1,584
Net Pension Liability	(12,158)
<b>Total Adjustments to Reconcile Operating Activities</b>	<u>241,705</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 265,562</u>

See accompanying notes to basic financial statements.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of George West, Texas ("City") was incorporated in 1946 under the provisions of the State of Texas. The City operates under a Home Rule Charter, which was adopted October 24, 1979. The City provides the following services as authorized by its charter: police and fire protection, parks and recreation, general administrative services, and utility services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. REPORTING ENTITY**

*Component Units*

The City has evaluated related organizations and had determined that none of them qualify as component units. These financial statements only include the financial reporting entity.

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund meets the criteria as *major governmental funds*.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, police, fire, recreation, public works, municipal court and sanitation.

**The Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City has the following non-major funds: Hotel Occupancy, Court Security, Court Technology, Court Child Safety, Certificate of Obligation 2016, and Sports Complex.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

**Proprietary fund level financial statements** are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Utility Fund (used to account for the provision of water, gas, garbage and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, and government investment pools. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. ACCOUNTS RECEIVABLE**

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2016 and past due after January 31, 2017. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles; however, presently the City estimates that all accounts are collectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

**7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**8. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred inflows. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unavailable revenue.



CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, utility systems, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	25 to 50 years
Vehicles and Equipment	5 to 25 years
Infrastructure	50 years
Utility System	15 to 25 years

**10. COMPENSATED ABSENCES**

Full time employees accrue 80 hours of vacation per year after completion of a 90 day probation period. Unused sick leave is not paid out on termination and is not accrued in these financial statements. Vacation leave is paid on termination and expires annually based on the calendar year. Vacation leave is accrued as incurred in the government-wide as it is expected to be paid with future financial resources.

**11. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. PENSIONS**

The net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**13. FUND BALANCES**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable -- Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the City Council.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

**14. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**15. RECLASSIFICATIONS**

Certain reclassifications have been made to prior periods to conform to the current year presentation. These reclassifications had no effect on net position.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**16. OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

**17. INTERFUND TRANSFERS**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**18. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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 from those estimates.

**NOTE B -- DEPOSITS AND INVESTMENTS**

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

**1. Deposits**

At September 30, 2017, the carrying amount of deposits at Frost Bank was covered by federal deposit insurance (FDIC) of \$250,000 and the City's depository had pledged securities having a face value of \$3,325,000 and market value of \$3,327,823 as collateral for the City's deposits. All of the City's cash was fully collateralized.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE B -- DEPOSITS AND INVESTMENTS (Continued)**

2. 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.

The City does not currently have any investments.

**NOTE C -- RESTRICTED CASH**

Restricted cash for the City as of September 30, 2017 is as follows:

	Balance 9/30/2017
<i>Governmental Activities:</i>	
Special Police	\$ 56,744
Occupancy Tax	64,939
Capital Improvement Fund	134,032
Sports Complex Project	26,946
Total Restricted Cash	<u>\$ 282,661</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE D -- PROPERTY TAX CALENDAR**

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Live Oak County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2016, upon which the fiscal 2017 levy was based, was \$133,801,682 (i.e., market value less exemptions). The estimated market value was \$145,247,817, making the taxable value 92% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2017, was \$0.54999 per \$100 of assessed value, which means that the City has a tax margin of \$1.95001 for each \$100 value and could increase its annual tax levy by approximately \$2,609,182 based upon the present assessed valuation before the limit is reached. The delinquent tax receivable for the year ended September 30, 2017 is \$72,500.

**NOTE E -- RECEIVABLES**

Receivables for the City as of September 30, 2017 are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Utility Fund
Receivables				
Property Tax	\$ 42,462	\$ 30,038	\$ -	\$ -
Sales and Mixed Beverage Tax	112,990	-	-	-
Franchise Tax	19,582	-	-	-
Hotel Occupancy Tax	-	-	38,794	-
Utilities	-	-	-	199,128
Loan To Cayetano Live Oak	8,611	-	-	8,611
Border Star Grant	3,003	-	-	-
Credit Card Receivable	1,508	-	-	-
	<u>188,156</u>	<u>30,038</u>	<u>38,794</u>	<u>207,739</u>
Less: Allowance for Doubtful Accounts				
Property Tax	(2,973)	(2,103)	-	-
Utilities	-	-	-	(208)
	<u>(2,973)</u>	<u>(2,103)</u>	<u>-</u>	<u>(208)</u>
Total Receivables, Net	<u>\$ 185,183</u>	<u>\$ 27,935</u>	<u>\$ 38,794</u>	<u>\$ 207,531</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE F -- CAPITAL ASSETS**

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

<b>Governmental Activities</b>	Balance 10/1/2016	Additions	Disposals/ Transfers	Balance 9/30/2017
Land	\$ 17,210	\$ -	\$ -	\$ 17,210
Buildings and Improvements	1,233,875	-	(115,530)	1,118,345
Vehicles and Equipment	1,719,293	36,884	(128,988)	1,627,189
Infrastructure	598,125	-	-	598,125
	<u>3,568,503</u>	<u>36,884</u>	<u>(244,518)</u>	<u>3,360,869</u>
Less Accumulated Depreciation				
Buildings and Improvements	(387,580)	(30,832)	17,971	(400,441)
Vehicles and Equipment	(1,630,548)	(68,225)	124,699	(1,574,074)
Infrastructure	(173,944)	(9,221)	-	(183,165)
	<u>(2,192,072)</u>	<u>(108,278)</u>	<u>142,670</u>	<u>(2,157,680)</u>
Governmental Capital Assets, Net	<u>\$ 1,376,431</u>	<u>\$ (71,394)</u>	<u>\$ (101,848)</u>	<u>\$ 1,203,189</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

General Administration	\$ 15,339
Public Safety	26,173
Street Maintenance	23,808
Culture & Recreation	<u>42,958</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 108,278</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE F -- CAPITAL ASSETS (Continued)**

Capital asset activity in the business-type fund for the year ended September 30, 2017, was as follows:

<b>Business-Type Activities</b>	<b>Balance 10/1/2016</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance 9/30/2017</b>
Land	\$ 24,029	\$ -	\$ -	\$ 24,029
Buildings and Improvements	137,179	-	-	137,179
Vehicles and Equipment	1,011,648	48,765	(61,663)	998,750
Utility System	6,974,165	520,531	397,171	7,891,867
Construction in Progress	397,171	-	(397,171)	-
	<u>8,544,192</u>	<u>569,296</u>	<u>(61,663)</u>	<u>9,051,825</u>
Less Accumulated Depreciation				
Buildings and Improvements	(57,017)	(3,616)	-	(60,633)
Vehicles and Equipment	(909,257)	(62,696)	61,663	(910,290)
Utility System	<u>(3,858,596)</u>	<u>(223,778)</u>	<u>-</u>	<u>(4,082,374)</u>
	<u>(4,824,870)</u>	<u>(290,090)</u>	<u>61,663</u>	<u>(5,053,297)</u>
Business-Type Capital Assets, Net	<u>\$ 3,719,322</u>	<u>\$ 279,206</u>	<u>\$ -</u>	<u>\$ 3,998,528</u>

Land and Construction in Progress are not depreciated.

**NOTE G -- LONG-TERM DEBT**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, the purchase of equipment, and street repair. Certificates of Obligation bonds have been issued for both Governmental activities and business-type activities. The original amount of the Certificate of Obligation bonds issued was \$1,116,000 and \$2,000,000 for the 2004 and 2012 series, respectively. The Certificates of Obligation carry an interest rate of 5.055% and 3.870% and mature on June 15, 2020 and July 15, 2020, respectively. Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government and are secured solely from property tax revenues and utility revenues. The general fund and the utility fund are used to service the bonds.

In July 2016, the City issued Certificates of Obligation Series 2016 in the amount of \$800,000 for Wastewater Plant improvements. The Certificates of Obligation carry an interest rate of 2.09% and mature on September 1, 2026.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE G -- LONG-TERM DEBT (Continued)**

Changes in long-term debt were as follows:

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
<u>Governmental Activities:</u>					
<i>Certificates of Obligation:</i>					
Series 2004	\$ 188,200	\$ -	\$ (15,600)	\$ 172,600	\$ 18,100
Series 2012	856,500	-	(39,500)	817,000	41,000
<i>Capital Leases:</i>					
Fire Department Vehicle	74,369	-	(74,369)	-	-
Total Governmental Activities	<u>\$ 1,119,069</u>	<u>\$ -</u>	<u>\$ (129,469)</u>	<u>\$ 989,600</u>	<u>\$ 59,100</u>
<u>Business-Type Activities</u>					
<i>Certificates of Obligation:</i>					
Series 2004	\$ 188,200	\$ -	\$ (15,600)	\$ 172,600	\$ 18,100
Series 2012	856,500	-	(39,500)	817,000	41,000
Series 2016	800,000	-	(72,000)	728,000	74,000
Total Business-Type Activities	<u>\$ 1,844,700</u>	<u>\$ -</u>	<u>\$ (127,100)</u>	<u>\$ 1,717,600</u>	<u>\$ 133,100</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2017, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 59,100	\$ 39,092	\$ 98,192	\$ 133,100	\$ 54,307	\$ 187,407
2019	61,350	36,543	97,893	137,350	50,211	187,561
2020	64,100	33,887	97,987	142,100	45,967	188,067
2021	66,850	31,114	97,964	145,850	41,564	187,414
2022	69,850	28,216	98,066	150,850	37,014	187,864
2023 - 2027	341,850	95,691	437,541	681,850	113,665	795,515
2028 - 2032	326,500	32,576	359,076	326,500	32,576	359,076
	<u>\$ 989,600</u>	<u>\$ 297,119</u>	<u>\$ 1,286,719</u>	<u>\$ 1,717,600</u>	<u>\$ 375,304</u>	<u>\$ 2,092,904</u>



CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS**

Texas Municipal Retirement System

**Plan Description**

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

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

**Benefits Provided**

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

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

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

	2015	2016
Inactive employees or beneficiaries currently receiving benefits	5	7
Inactive employees entitled to but not yet receiving benefits	28	30
Active employees	40	33
	<u>73</u>	<u>70</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**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.

For the year ending September 30, 2017, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.15% and 6.12% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$64,195, and were equal to the required contributions.

**Net Pension Liability**

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

**Actuarial Assumptions**

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

Inflation	2.5% per year
Salary Increases	3.0% per year
Investment Rate of Return*	6.75%

\* Presented 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 Health 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.

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Actuarial Assumptions (Continued)**

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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 rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of returns 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	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Discount Rate**

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

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2016:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 1,550,313	\$ 1,074,498	\$ 475,815
Changes for the year:			
Service Cost	121,090	-	121,090
Interest	104,864	-	104,864
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(61,483)	-	(61,483)
Changes of Assumptions	-	-	-
Contributions - Employer	-	67,314	(67,314)
Contributions - Employee	-	66,900	(66,900)
Net Investment Income	-	72,711	(72,711)
Benefit Payments, Including Refunds of Employee Contributions	(114,633)	(114,633)	-
Administrative Expense	-	(820)	820
Other Changes	-	(44)	44
Net Changes	49,838	91,428	(41,590)
Balance at December 31, 2016	\$ 1,600,151	\$ 1,165,926	\$ 434,225

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

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 670,415	\$ 434,225	\$ 240,449

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$99,074. Also, as of 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	\$ -	\$ 52,320
Changes in Actuarial Assumptions	37,245	-
Differences Between Projected and Actual Investment Earnings	43,090	-
Contributions Subsequent to the Measurement Date	48,068	-
	<u>\$ 128,403</u>	<u>\$ 52,320</u>

Deferred outflows of resources in the amount of \$48,068 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,

2017	\$ 11,685
2018	11,685
2019	9,633
2020	(4,502)
2021	(486)
	<u>\$ 28,015</u>

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE I -- OTHER POSTEMPLOYMENT BENEFIT**

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

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

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

The City's contributions to the TMRS SDBF for the fiscal years ending December 31, 2017, 2016, and 2015 were \$1,889, \$1,798, and \$1,997, respectively, which equaled the required contributions each year.

**NOTE J -- INTERFUND TRANSACTIONS**

As of September 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Due from/Due to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund/Proprietary Fund	\$ 38,328	<i>Utility Collections on-behalf of Proprietary Fund</i>
General Fund/Debt Service Fund	1,044	<i>I&amp;S Tax Deposit on-behalf of Debt Service Fund</i>
General Fund/Nonmajor Funds	102,689	<i>Court-Related Collections on-behalf of other funds</i>
Total	<u>\$ 142,061</u>	

The following transfers occurred during the year ended September 30, 2017:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
Debt Service	Proprietary	\$ 96,621	In support of debt service
		<u>\$ 96,621</u>	

CITY OF GEORGE WEST  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

**NOTE K -- COMMITMENTS AND CONTINGENCIES**

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

**NOTE L -- RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000. Annual contributions for the year ended September 30, 2017 were \$80,023 for property and casualty and workers compensation coverage.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Relation Ratios



CITY OF GEORGE WEST  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 422,931	\$ 422,931	\$ 416,020	\$ (6,911)
Franchise Fees	174,000	174,000	172,879	(1,121)
Sales Taxes	610,000	610,000	674,880	64,880
Fines and Penalties	548,000	548,000	306,760	(241,240)
Charges For Service	47,700	47,700	33,159	(14,541)
Grants	110,569	110,569	79,869	(30,700)
Licenses and Permits	24,000	24,000	19,710	(4,290)
Interest Income	1,000	1,000	1,059	59
Miscellaneous	-	-	10,269	10,269
<b>TOTAL REVENUES</b>	<u>1,938,200</u>	<u>1,938,200</u>	<u>1,714,605</u>	<u>(223,595)</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Administration	409,811	409,811	363,682	46,129
Public Safety	892,040	892,040	820,265	71,775
Street Maintenance	255,035	255,035	211,942	43,093
Culture and Recreation	149,344	147,109	125,093	22,016
Municipal Court	144,479	144,426	119,172	25,254
<b>TOTAL EXPENDITURES</b>	<u>1,890,709</u>	<u>1,888,421</u>	<u>1,677,039</u>	<u>211,382</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>47,491</u>	<u>49,779</u>	<u>37,566</u>	<u>(12,213)</u>
<b>OTHER SOURCES (USES) OF FUNDS:</b>				
Proceeds from Sale of Capital Assets	-	-	90,981	-
<b>TOTAL OTHER SOURCES (USES) OF FUNDS:</b>	<u>-</u>	<u>-</u>	<u>90,981</u>	<u>90,981</u>
<b>Net Change in Fund Balance</b>	<u>47,491</u>	<u>49,779</u>	<u>128,547</u>	<u>78,768</u>
<b>Beginning Fund Balance</b>	<u>183,800</u>	<u>183,800</u>	<u>183,800</u>	<u>-</u>
<b>Ending Fund Balance</b>	<u>\$ 231,291</u>	<u>\$ 233,579</u>	<u>\$ 312,347</u>	<u>\$ 169,749</u>

CITY OF GEORGE WEST  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND  
SEPTEMBER 30, 2017

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF GEORGE WEST  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
LAST THREE CALENDAR YEARS

Total Pension Liability			
	2014	2015	2016
Service Cost	\$ 109,358	\$ 140,271	\$ 121,090
Interest (on the Total Pension Liability)	83,794	95,635	104,864
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	9,411	(10,745)	(61,483)
Change of Assumptions	-	54,137	-
Benefit Payments, Including Refunds of Employee Contributions	(47,576)	(50,138)	(114,633)
Net Change in Total Pension Liability	154,987	229,160	49,838
Total Pension Liability - Beginning	1,166,166	1,321,153	1,550,313
Total Pension Liability - Ending	<u>\$ 1,321,153</u>	<u>\$ 1,550,313</u>	<u>\$ 1,600,151</u>
Plan Fiduciary Net Position			
	2014	2015	2016
Contributions - Employer	\$ 74,767	\$ 89,779	\$ 67,314
Contributions - Employee	75,206	82,513	66,900
Net Investment Income	46,021	1,405	72,711
Benefit Payments, Including Refunds of Employee Contributions	(47,576)	(50,138)	(114,633)
Administrative Expense	(480)	(855)	(820)
Other	(39)	(43)	(44)
Net Change in Plan Fiduciary Net Position	147,899	122,661	91,428
Plan Fiduciary Net Position - Beginning	803,938	951,837	1,074,498
Plan Fiduciary Net Position - Ending	<u>\$ 951,837</u>	<u>\$ 1,074,498</u>	<u>\$ 1,165,926</u>
Net Pension Liability (Asset) - Ending	\$ 369,316	\$ 475,815	\$ 434,225
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.05%	69.31%	72.86%
Covered Employee Payroll	\$ 1,504,114	\$ 1,650,253	\$ 1,338,006
Net Pension Liability as a Percentage of Covered Employee Payroll	24.55%	28.83%	32.45%

Note: The schedule above reflects the changes in the net pension liability for the current year. GASB 68 requires 10 fiscal years of data to be provided in this schedule. The employer/city will be required to build this schedule over the 10 year period; as such, the employer should retain the annual GASB packages to utilize in building this schedule.

CITY OF GEORGE WEST  
NOTES TO THE SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS  
LAST THREE FISCAL YEARS

**Schedule of Contributions:**

	2015	2016	2017
Actuarially Determined Contribution	\$ 88,600	\$ 72,663	\$ 64,195
Contributions in Relation to the Actuarially Determined Contribution	88,600	72,663	64,195
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
 Covered Employee Payroll	 \$ 1,664,451	 \$ 1,413,741	 \$ 1,185,832
 Contributions as a Percentage of Covered Employee Payroll	 5.32%	 5.14%	 5.41%

**Valuation Date:**

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

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions: The City will build this report over the next 10 year period. This data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 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.





CITY OF GEORGE WEST  
COMPARATIVE BALANCE SHEETS  
GENERAL FUND  
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 413,619	\$ 346,264
Receivables (net of allowances for uncollectibles):		
Property Taxes	39,489	42,539
Other Receivables	<u>145,694</u>	<u>153,614</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 598,802</u></u>	<u><u>\$ 542,417</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 95,098	\$ 174,227
Accrued Wages	13,070	18,444
Due to Other Funds	<u>142,061</u>	<u>132,507</u>
<i>Total Liabilities</i>	<u><u>250,229</u></u>	<u><u>325,178</u></u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	<u>36,226</u>	<u>33,439</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>36,226</u></u>	<u><u>33,439</u></u>
<i>Fund Balances:</i>		
Committed for:		
Public Education Fund	3,469	2,465
Unassigned	<u>308,878</u>	<u>181,335</u>
<i>Total Fund Balance</i>	<u><u>312,347</u></u>	<u><u>183,800</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 598,802</u></u>	<u><u>\$ 542,417</u></u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GENERAL FUND  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 416,020	\$ 383,649
Franchise Fees	172,879	175,973
Sales Taxes	674,880	628,419
Fines and Penalties	306,760	599,327
Charges For Service	33,159	61,766
Grants	79,869	136,235
Licenses and Permits	19,710	39,960
Interest Income	1,059	1,042
Miscellaneous	10,269	85,497
<b>TOTAL REVENUES</b>	<u>1,714,605</u>	<u>2,111,868</u>
<b>EXPENDITURES</b>		
Current:		
General Administration	363,682	515,866
Public Safety	820,265	1,013,143
Street Maintenance	211,942	236,480
Culture and Recreation	125,093	145,059
Municipal Court	119,172	143,933
Capital Outlay	36,885	-
<b>TOTAL EXPENDITURES</b>	<u>1,677,039</u>	<u>2,054,481</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>37,566</u>	<u>57,387</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Sale of Capital Assets	90,981	-
Transfers Out	-	(20,181)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>90,981</u>	<u>(20,181)</u>
<b>Net Change in Fund Balance</b>	128,547	37,206
<b>BEGINNING FUND BALANCE</b>	<u>183,800</u>	<u>146,594</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$ 312,347</u></u>	<u><u>\$ 183,800</u></u>



CITY OF GEORGE WEST  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017 AND 2016

	Special Revenue Funds			
	Hotel Occupancy	Court Security	Court Technology	Court Child Safety
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 57,325	\$ 7,626	\$ 24,798
Accounts Receivable, Net of Allowance				
Taxes	38,794	-	-	-
Due From Other Funds	-	32,190	45,731	-
Restricted Assets:				
Cash and Cash Equivalents	64,939	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 103,733</u>	<u>\$ 89,515</u>	<u>\$ 53,357</u>	<u>\$ 24,798</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	36,538	\$ -	\$ 38	\$ -
<i>Total Liabilities</i>	<u>36,538</u>	<u>-</u>	<u>38</u>	<u>-</u>
<i>Fund Balances:</i>				
Restricted For:				
Police	-	-	-	-
Municipal Court	-	89,515	53,319	24,798
Tourism	67,195	-	-	-
Future Projects	-	-	-	-
<i>Total Fund Balances</i>	<u>67,195</u>	<u>89,515</u>	<u>53,319</u>	<u>24,798</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<u>\$ 103,733</u>	<u>\$ 89,515</u>	<u>\$ 53,357</u>	<u>\$ 24,798</u>

<u>Drug Forfeiture</u>	<u>Capital Projects Funds</u>		<u>Totals</u>
	<u>Certificate of Obligation 2016</u>	<u>Sports Complex</u>	
\$ -	\$ -	\$ -	\$ 89,749
-	-	-	38,794
-	24,768	-	102,689
<u>56,744</u>	<u>134,032</u>	<u>26,946</u>	<u>282,661</u>
<u>\$ 56,744</u>	<u>\$ 158,800</u>	<u>\$ 26,946</u>	<u>\$ 513,893</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,576</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>36,576</u>
56,744	-	-	56,744
-	-	-	167,632
-	-	-	67,195
-	158,800	26,946	185,746
<u>56,744</u>	<u>158,800</u>	<u>26,946</u>	<u>477,317</u>
<u>\$ 56,744</u>	<u>\$ 158,800</u>	<u>\$ 26,946</u>	<u>\$ 513,893</u>

CITY OF GEORGE WEST  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	Special Revenue Funds			
	Hotel Occupancy	Court Security	Court Technology	Court Child Safety
<b>REVENUES</b>				
Hotel Occupancy Tax	\$ 124,473	\$ -	\$ -	\$ -
Fines and Penalties	-	6,496	8,635	-
Interest Income	4	5	1	-
<b>TOTAL REVENUES</b>	<u>124,477</u>	<u>6,501</u>	<u>8,636</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	-	-	-
Municipal Court	-	527	11,094	2,340
Administration	141,603	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>141,603</u>	<u>527</u>	<u>11,094</u>	<u>2,340</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(17,126)</u>	<u>5,974</u>	<u>(2,458)</u>	<u>(2,340)</u>
Net Change in Fund Balance	(17,126)	5,974	(2,458)	(2,340)
Fund Balances at Beginning of Year	<u>84,321</u>	<u>83,541</u>	<u>55,777</u>	<u>27,138</u>
Fund Balances at End of Year	<u>\$ 67,195</u>	<u>\$ 89,515</u>	<u>\$ 53,319</u>	<u>\$ 24,798</u>

Drug Forfeiture	Capital Projects Funds		Totals
	Certificate of Obligation 2016	Sports Complex	
\$ 9,271	\$ -	\$ -	\$ 133,744
-	-	-	15,131
1	313	2	326
9,272	313	2	149,201
16,797	-	-	16,797
-	-	-	13,961
-	-	-	141,603
16,797	-	-	172,361
(7,525)	313	2	(23,160)
(7,525)	313	2	(23,160)
64,269	158,487	26,944	500,477
\$ 56,744	\$ 158,800	\$ 26,946	\$ 477,317

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF NET POSITION  
PROPRIETARY FUND – UTILITY SYSTEM  
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 215,816	\$ 39,476
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	207,531	179,312
Due From Other Funds	38,328	564,497
<i>Total Current Assets</i>	<u>461,675</u>	<u>783,285</u>
<i>Noncurrent Assets</i>		
Restricted Cash and Cash Equivalents	-	48,265
<i>Capital Assets:</i>		
Land	24,029	24,029
Building and Improvements	137,179	137,178
Machinery and Equipment	998,750	1,011,646
Construction In Progress	-	397,171
Utility System	7,891,867	6,974,165
Accumulated Depreciation	(5,053,297)	(4,824,871)
<i>Total Capital Assets, Net</i>	<u>3,998,528</u>	<u>3,719,318</u>
<i>Total Noncurrent Assets</i>	<u>3,998,528</u>	<u>3,767,583</u>
<b>TOTAL ASSETS</b>	<u>4,460,203</u>	<u>4,550,868</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Related Outflows	<u>27,495</u>	<u>34,353</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 27,495</u>	<u>\$ 34,353</u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF NET POSITION  
PROPRIETARY FUND – UTILITY SYSTEM (CONTINUED)  
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 21,306	\$ 40,517
Accrued Wages	3,298	13,474
Compensated Absences	5,942	8,504
Accrued Interest Payable	12,867	13,416
Due To Other Funds	-	5,033
Customer Deposits	76,566	74,982
Current Portion of Bonds Payable	133,100	127,100
<i>Total Current Liabilities</i>	<u>253,079</u>	<u>283,026</u>
<i>Noncurrent Liabilities:</i>		
Bonds Payable	1,584,500	1,717,600
Net Pension Liability	90,672	102,830
<i>Total Noncurrent Liabilities</i>	<u>1,675,172</u>	<u>1,820,430</u>
<b>TOTAL LIABILITIES</b>	<u>1,928,251</u>	<u>2,103,456</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Related Inflows	15,499	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>15,499</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,282,222	1,874,618
Restricted for Construction - Expendable	-	1,294
Unrestricted	261,726	605,853
<b>TOTAL NET POSITION</b>	<u>\$ 2,543,948</u>	<u>\$ 2,481,765</u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - PROPRIETARY FUND - UTILITY SYSTEM  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Charges for Water Service	\$ 588,680	\$ 521,156
Charges for Gas Services	247,161	241,526
Charges for Sewer Service	448,298	342,560
Charges for Garbage Service	279,821	260,000
Miscellaneous Income	1,478	1,131
<b>TOTAL OPERATING REVENUES</b>	<u>1,565,438</u>	<u>1,366,373</u>
<b>OPERATING EXPENSES</b>		
Personnel	475,489	508,868
Supplies	70,392	104,779
Services and Charges	377,220	346,346
Gas Purchases	81,181	66,752
Solid Waste Costs	247,209	258,875
Depreciation	290,090	289,231
<b>TOTAL OPERATING EXPENSES</b>	<u>1,541,581</u>	<u>1,574,851</u>
<b>OPERATING INCOME (LOSS)</b>	<u>23,857</u>	<u>(208,478)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	1	39
Interest Charges	(58,276)	(71,981)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(58,275)</u>	<u>(71,942)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(34,418)</u>	<u>(280,420)</u>
Transfers In (Out)	96,601	(61,702)
<b>NET INCOME (LOSS)</b>	<u>62,183</u>	<u>(342,122)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>2,481,765</u>	<u>2,823,887</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,543,948</u>	<u>\$ 2,481,765</u>

CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND – UTILITY SYSTEM  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Customers	\$ 1,538,803	\$ 1,355,009
Cash Paid to Employees for Services	(478,028)	(494,793)
Cash Paid to Suppliers for Goods and Services	(795,213)	(794,625)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>265,562</u>	<u>65,591</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers From (To) Primary Government	96,601	(61,702)
Intergovernmental Borrowings	521,133	(490,670)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>617,734</u>	<u>(552,372)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	(520,531)	(397,171)
Purchase of Capital Assets	(48,765)	-
Proceeds from Bond Issuance	-	800,000
Principal Payments on Long-term Debt	(127,100)	(52,850)
Interest Paid for Financing Activities	(58,826)	(68,771)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND AND FINANCING ACTIVITIES</b>	<u>(755,222)</u>	<u>281,208</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Interest Received	1	39
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>1</u>	<u>39</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	128,075	(205,534)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
Cash and Cash Equivalents	39,476	87,751
Restricted Cash and Cash Equivalents	48,265	205,524
	<u>87,741</u>	<u>293,275</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
Cash and Cash Equivalents	215,816	39,476
Restricted Cash and Cash Equivalents	-	48,265
	<u>\$ 215,816</u>	<u>\$ 87,741</u>
<b>Interest Paid During the Year</b>	58,825	68,771



CITY OF GEORGE WEST  
COMPARATIVE STATEMENTS OF CASH FLOWS  
PROPRIETARY FUND – UTILITY SYSTEM (CONTINUED)  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 23,857	\$ (208,478)
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	290,090	289,231
(Increase) Decrease in Operating Assets:		
Accounts Receivable, Net	(28,219)	(9,581)
Deferred Pension Outflows	22,357	(16,868)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(19,211)	(17,873)
Accrued Wages	(10,176)	6,440
Compensated Absences	(2,562)	(1,880)
Customer Deposits	1,584	(1,783)
Net Pension Liability	(12,158)	26,383
	<u>241,705</u>	<u>274,069</u>
Net Cash Provided (Used) by		
Operating Activities	<u>\$ 265,562</u>	<u>\$ 65,591</u>