

CITY OF FOREST HILL, TEXAS

ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2018**

CITY OF FOREST HILL, TEXAS
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2018

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Forest Hill, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the presentation 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Mayor and
Members of City Council
City of Forest Hill, Texas

Opinions

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

Emphasis of Matter

As discussed in Notes 8 and 11 to the financial statements, the City adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of September 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 to 9, budgetary comparison information on pages 44 to 47, and pension and OPEB information on pages 48 to 50, and as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund statements are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 financial statements as a whole.



Fort Worth, Texas
March 12, 2019

CITY OF FOREST HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018

As management of the City of Forest Hill, we offer readers of the City of Forest Hill's financial statements this narrative overview and analysis of the financial activities of the City of Forest Hill for the fiscal year ended September 30, 2018. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets and deferred outflows of the City of Forest Hill exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$21,285,132 (net position). Of this amount, \$6,664,570, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,214,251, before the prior period adjustment.
- As of the close of the current fiscal year, the City of Forest Hill governmental funds reported combined ending fund balances of \$8,046,435, an increase of \$930,206 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,654,165 or 19% of total general fund expenditures.
- The City of Forest Hill's long-term debt decreased by \$1,078,436 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Forest Hill's basic financial statements. The City of Forest Hill's basic financial statements comprise three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

**CITY OF FOREST HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Both of the government-wide financial statements distinguish functions of the City of Forest Hill that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Forest Hill include general government, public safety, public works, and sanitation services. The business-type activities of the City of Forest Hill include the water and sewer system.

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

The City of Forest Hill maintains four governmental fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the motel tax fund, and the community development corporation fund, all of which are considered to be major funds. The non-major governmental funds are special revenue funds used to account for debt service, capital projects, and various police funds.

The City of Forest Hill adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund and the motel tax fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds. The City of Forest Hill maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Forest Hill uses an enterprise fund to account for its Water and Sewer operations.

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

The proprietary fund financial statements can be found on pages 17-20 of this report.

**CITY OF FOREST HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 52-55 of this report.

Government-Wide Financial Analysis

Total assets of the City are \$32,034,634. Capital assets, net of depreciation, represent the largest portion of the City's assets (\$17,579,312, or 54.9%) and include land, buildings, improvements, equipment, infrastructure, and construction-in-progress. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. As of September 30, 2018, the City of Forest Hill's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,285,132 (Net Position).

A portion of the City of Forest Hill's net position (61 percent) reflects its investment in capital assets (e.g. land, building, machinery and equipment, infrastructure, and systems) less any related debt used to acquire those assets that is still outstanding. The City of Forest Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Forest Hill's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Forest Hill's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$6,664,570 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Forest Hill is able to report positive balances in all three categories of net position for the government as a whole.

**CITY OF FOREST HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017, restated</u>	<u>2018</u>	<u>2017, restated</u>	<u>2018</u>	<u>2017, restated</u>
Current and other assets	\$ 9,422,987	\$ 8,255,322	\$ 5,032,335	\$ 3,457,034	\$ 14,455,322	\$ 11,712,356
Capital assets	10,533,465	11,589,905	7,045,847	7,233,270	17,579,312	18,823,175
Total Assets	<u>19,956,452</u>	<u>19,845,227</u>	<u>12,078,182</u>	<u>10,690,304</u>	<u>32,034,634</u>	<u>30,535,531</u>
Deferred outflows of resources	464,190	1,048,022	82,322	184,214	546,512	1,232,236
Long-term liabilities outstanding	7,268,396	9,403,284	1,025,116	1,339,055	8,293,512	10,742,339
Other liabilities	1,055,813	717,818	1,060,994	907,340	2,116,807	1,625,158
Total Liabilities	<u>8,324,209</u>	<u>10,121,102</u>	<u>2,086,110</u>	<u>2,246,395</u>	<u>10,410,319</u>	<u>12,367,497</u>
Deferred inflows of resources	754,378	280,472	131,317	48,917	885,695	329,389
Net position:						
Net investment in capital assets	6,605,564	6,975,472	6,464,694	6,520,967	13,070,258	13,496,439
Restricted	1,550,304	1,421,170	-	-	1,550,304	1,421,170
Unrestricted	3,186,187	2,095,033	3,478,383	2,058,239	6,664,570	4,153,272
Total Net Position	<u>\$ 11,342,055</u>	<u>\$ 10,491,675</u>	<u>\$ 9,943,077</u>	<u>\$ 8,579,206</u>	<u>\$ 21,285,132</u>	<u>\$ 19,070,881</u>

Statement of Change in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017, restated</u>	<u>2018</u>	<u>2017, restated</u>	<u>2018</u>	<u>2017, restated</u>
Revenues						
Program Revenues						
Fees, fines and charges for services	\$ 1,687,990	\$ 1,870,673	\$ 6,379,206	\$ 5,973,725	\$ 8,067,196	\$ 7,844,398
Operating grants and contributions	42,361	1,252	-	-	42,361	1,252
General revenue						
Property taxes	4,554,017	4,093,542	-	-	4,554,017	4,093,542
Sales, franchise and other taxes	3,765,939	3,682,075	-	-	3,765,939	3,682,075
Interest on investments	86,409	34,502	6,417	2,863	92,826	37,365
Miscellaneous revenue	164,441	197,228	-	-	164,441	197,228
Total Revenues	<u>10,301,157</u>	<u>9,879,272</u>	<u>6,385,623</u>	<u>5,976,588</u>	<u>16,686,780</u>	<u>15,855,860</u>
Expenses						
General government	2,360,235	2,349,003	-	-	2,360,235	2,349,003
Public safety	4,550,979	4,835,170	-	-	4,550,979	4,835,170
Public works	1,880,531	2,044,030	-	-	1,880,531	2,044,030
Parks and recreation	163,681	97,038	-	-	163,681	97,038
Community development	518,893	532,757	-	-	518,893	532,757
Interest on long-term debt	165,346	183,262	-	-	165,346	183,262
Utilities Fund	-	-	4,832,864	4,708,504	4,832,864	4,708,504
Total Expenses	<u>9,639,665</u>	<u>10,041,260</u>	<u>4,832,864</u>	<u>4,708,504</u>	<u>14,472,529</u>	<u>14,749,764</u>
Increase (decrease) in net position before transfers	661,492	(161,988)	1,552,759	1,268,084	2,214,251	1,106,096
Transfers	188,888	413,000	(188,888)	(413,000)	-	-
Increase (decrease) in net position after transfers	850,380	251,012	1,363,871	855,084	2,214,251	1,106,096
Net position - beginning, restated	<u>10,491,675</u>	<u>10,240,663</u>	<u>8,579,206</u>	<u>7,724,122</u>	<u>19,070,881</u>	<u>17,964,785</u>
Net position - ending	<u>\$ 11,342,055</u>	<u>\$ 10,491,675</u>	<u>\$ 9,943,077</u>	<u>\$ 8,579,206</u>	<u>\$ 21,285,132</u>	<u>\$ 19,070,881</u>

**CITY OF FOREST HILL, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)**

The following key elements influenced the changes in net position from the prior year:

Governmental Activities:

- Governmental activities increased the City of Forest Hill’s net position by \$850,380
- Total revenues increased by \$421,885 (4.3%).
- Total expenses decreased by \$401,595(4.0%).

Business-Type Activities:

- Business-Type activities increased the City of Forest Hill’s net position by \$1,363,871.
- Total revenues increased by \$409,035(6.8%).
- Total operating expenses increased by \$124,360 (2.6%).

Financial Analysis of the Government’s Funds

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

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

As the end of the current fiscal year, the City of Forest Hill’s governmental funds reported combined ending fund balance of \$8,046,435, an increase of \$930,206 from the prior year. Most of the increase is due to transfers from the water and sewer fund and excess revenues over expenditures.

The general fund is the chief operating fund of the City of Forest Hill. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,654,165. Total unreserved fund balance represents 19% of total general fund expenditures.

The motel tax fund has a total fund balance of \$3,012,799, all of which is committed for future uses in the community.

The community development corporation fund has a total fund balance of \$1,232,964, all of which is committed for future uses in the community.

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

Unrestricted net position of the Enterprise Fund at the end of the year amounted to \$3,478,383. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Forest Hill’s business type activities.

General Fund Budgetary Highlights

During the year, revenues were over budget by \$238,158, primarily due to taxes and franchise fees and fines and forfeitures. Expenditures were over budget by \$592,378.

**CITY OF FOREST HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Capital Asset and Debt Administration

Capital Assets. The City of Forest Hill's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$17,579,312 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, systems, and improvements and equipment.

The addition of equipment and infrastructure was the major addition to governmental activities capital assets during the year.

Additional information on the City of Forest Hill's capital assets can be found in Note 3 to the financial statements of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Forest Hill had bonded debt outstanding of \$4,800,000. All of this amount comprises debt backed by the full faith and credit of the government. The City also has outstanding capital lease obligations totaling \$303,777. The City of Forest Hill's long-term debt decreased by \$1,078,436 during the current fiscal year. Additional information can be found in Note 4 to the financial statements of this report.

Economic Factors and Next Year's Budgets and Rates

The 2018-2019 budget goals are stated as follows:

- Address organizational issues within city government while emphasizing quality customer service at all levels of the organization.
- Promote a positive environment for economic development in the community to achieve stable and positive financial conditions.
- Enhance the quality of life by improving the City's capital infrastructures.

The state of our national and local economy continues to be of concern; although some of our economic indicators are showing signs of a slow but steady growth. Several considerations, goals, and priorities were identified with the development of this budget. Those priorities addressed in the FY 2018-2019 Budget are:

- 1) Continue to maintain current ad valorem property tax rate of \$.992873.
- 2) Reposition staff and staffing levels to better reflect the demands for service throughout the organization and City.
- 3) Maintain adequate funding for street infrastructure needs and other capital projects.
- 4) Continue funding adequate pay and benefit to City employees
- 5) Address improvements to municipal facilities
- 6) Fleet replacement particularly at the Police and Public Work Departments.
- 7) Continue promoting economic development activities and make Forest Hill an ideal place to live, work and to do business.

Forest Hill is poised to benefit from the location of our City Hall as it brings needed visibility and creates opportunities for business expansion for commercial and retail growth on the vacant 82 acre site across I-20 on Forest Hill Circle. This will lessen our dependability on ad valorem taxes as the primary means of supporting maintenance and operations of the City now and in the future.

**CITY OF FOREST HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Request for Information

This financial report is designed to provide a general overview of the City of Forest Hill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 3219 California Pkwy., Forest Hill, Texas 76119.

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CITY OF FOREST HILL, TEXAS
GOVERNMENT WIDE - STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,396,143	\$ 3,757,585	\$ 12,153,728
Restricted cash and cash equivalents	-	532,345	532,345
Receivables, net of allowance for uncollectibles	982,298	720,465	1,702,763
Internal Balances	(12,720)	12,720	-
Prepaid items	57,266	9,220	66,486
Nondepreciable Capital Assets:			
Land	807,225	25,567	832,792
Construction in progress	34,131	-	34,131
Depreciable Capital Assets, Net			
Buildings and improvements	3,296,457	6,891,579	10,188,036
Equipment	409,841	128,701	538,542
Infrastructure	5,985,811	-	5,985,811
Total Capital Assets	10,533,465	7,045,847	17,579,312
Total Assets	19,956,452	12,078,182	32,034,634
Deferred Outflows of Resources			
Deferred charge on refunding	-	33,747	33,747
Deferred outflows - pension	451,318	46,775	498,093
Deferred outflows - OPEB	12,872	1,800	14,672
Total deferred outflows of resources	464,190	82,322	546,512
Liabilities			
Accounts payable	529,072	433,833	962,905
Accrued liabilities	412,997	225,966	638,963
Accrued interest	25,621	3,275	28,896
Unearned revenues	85,711	-	85,711
Customer deposits	2,412	397,920	400,332
Long-term liabilities:			
Due within one year	699,468	131,150	830,618
Due in more than one year	4,789,406	667,219	5,456,625
Net pension liability	1,621,078	205,147	1,826,225
Net OPEB liability	158,444	21,600	180,044
Total Liabilities	8,324,209	2,086,110	10,410,319
Deferred Inflows of Resources			
Deferred inflows - pension	754,378	131,317	885,695
Total deferred outflows of resources	754,378	131,317	885,695
Net Position			
Net investment in capital assets	6,605,564	6,464,694	13,070,258
Restricted for:			
Debt service	310,418	-	310,418
Public safety	259,605	-	259,605
Parks and recreation	277,058	-	277,058
Public works	703,223	-	703,223
Unrestricted	3,186,187	3,478,383	6,664,570
Total Net Position	\$ 11,342,055	\$ 9,943,077	\$ 21,285,132

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
GOVERNMENT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenue		Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
General government	\$ 2,360,235	\$ 1,058,892	\$ 14,361	\$ (1,286,982)	\$ -	\$ (1,286,982)
Public safety	4,550,979	96,938	2,000	(4,452,041)	-	(4,452,041)
Public works	1,880,531	180,442	-	(1,700,089)	-	(1,700,089)
Parks and recreation	163,681	125	26,000	(137,556)	-	(137,556)
Community development	518,893	351,593	-	(167,300)	-	(167,300)
Interest on long-term debt	165,346	-	-	(165,346)	-	(165,346)
Total governmental activities	9,639,665	1,687,990	42,361	(7,909,314)	-	(7,909,314)
Business-type activities:						
Utilities	4,832,864	6,379,206	-	-	1,546,342	1,546,342
Total business-type activities	4,832,864	6,379,206	-	-	1,546,342	1,546,342
Total primary government	\$ 14,472,529	\$ 8,067,196	\$ 42,361	(7,909,314)	1,546,342	(6,362,972)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				4,554,017	-	4,554,017
Sales and use taxes				3,173,822	-	3,173,822
Franchise taxes				592,117	-	592,117
Interest on investments				86,409	6,417	92,826
Miscellaneous revenue				164,441	-	164,441
Transfers				188,888	(188,888)	-
Total general revenues and transfers				8,759,694	(182,471)	8,577,223
Change in net position				850,380	1,363,871	2,214,251
Net position - beginning				10,624,084	8,597,306	19,221,390
Prior Period Adjustment				(132,409)	(18,100)	(150,509)
Net position - ending				\$ 11,342,055	\$ 9,943,077	\$ 21,285,132

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Motel Tax</u>	<u>Community Development Corporation</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 2,262,029	\$ 2,975,324	\$ 1,094,677	\$ 2,064,113	\$ 8,396,143
Receivables, net of allowance for uncollectibles					
Property taxes	299,776	37,475	-	46,585	383,836
Accounts receivable	387,763	-	140,421	70,278	598,462
Prepays and deposits	50,301	-	1,076	5,889	57,266
Total Assets	<u>\$ 2,999,869</u>	<u>\$ 3,012,799</u>	<u>\$ 1,236,174</u>	<u>\$ 2,186,865</u>	<u>\$ 9,435,707</u>
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable	\$ 486,394	\$ -	\$ 2,134	\$ 40,544	\$ 529,072
Accrued liabilities	408,390	-	1,076	3,531	412,997
Due to other funds	12,720	-	-	-	12,720
Deposits	2,412	-	-	-	2,412
Unearned revenue	85,711	-	-	-	85,711
Total Liabilities	<u>995,627</u>	<u>-</u>	<u>3,210</u>	<u>44,075</u>	<u>1,042,912</u>
Deferred Inflows of Resources:					
Unavailable revenue - Property Taxes	299,776	-	-	46,584	346,360
Total Deferred Inflows of Resources	<u>299,776</u>	<u>-</u>	<u>-</u>	<u>46,584</u>	<u>346,360</u>
Fund balances:					
Non-Spendable					
Prepaid items	50,301	-	1,076	5,889	57,266
Restricted					
Capital acquisitions and contractual obligations	-	-	-	560,976	560,976
Debt service	-	-	-	289,455	289,455
Parks and recreation	-	-	-	277,058	277,058
Public works	-	-	-	703,223	703,223
Public safety	-	-	-	259,605	259,605
Committed					
		3,012,799	1,231,888	-	4,244,687
Unassigned	1,654,165	-	-	-	1,654,165
Total Fund balances	<u>1,704,466</u>	<u>3,012,799</u>	<u>1,232,964</u>	<u>2,096,206</u>	<u>8,046,435</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,999,869</u>	<u>\$ 3,012,799</u>	<u>\$ 1,236,174</u>	<u>\$ 2,186,865</u>	<u>\$ 9,435,707</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2018

Total fund balance - governmental funds	\$ 8,046,435
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	10,533,465
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	346,360
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements.	
Interest payable	(25,621)
Compensated absences	(999,997)
Net pension liability	(1,621,078)
Bonds and capital lease obligations	(4,488,877)
Net OPEB liability	(158,444)
Deferred outflows represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then	464,190
Deferred inflows related to Texas Municipal Retirement System	<u>(754,378)</u>
Net position of governmental activities	<u>\$ 11,342,055</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Motel Tax</u>	<u>Community Development Corporation</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes and franchise fees	\$ 6,268,901	\$ 463,010	\$ 774,050	\$ 903,821	\$ 8,409,782
Licenses and permits	445,049	-	-	-	445,049
Charges for services	393,553	-	-	21,733	415,286
Fines and forfeitures	849,227	-	-	30,483	879,710
Interest income	56,218	11,624	4,180	25,149	97,171
Intergovernmental	14,361	-	-	-	14,361
Miscellaneous	140,325	9	-	-	140,334
Total Revenues	<u>8,167,634</u>	<u>474,643</u>	<u>778,230</u>	<u>981,186</u>	<u>10,401,693</u>
Expenditures					
Current:					
General government	2,113,840	-	-	-	2,113,840
Public safety	4,785,603	-	-	20,997	4,806,600
Public works	991,624	-	-	-	991,624
Parks and recreation	163,681	-	-	-	163,681
Community development	398,399	-	145,498	-	543,897
Capital outlay	199,891	-	-	-	199,891
Debt Service:					
Principal	156,646	-	-	518,850	675,496
Interest and other charges	10,349	-	-	154,171	164,520
Bond issuance costs	-	-	-	826	826
Total Expenditures	<u>8,820,033</u>	<u>-</u>	<u>145,498</u>	<u>694,844</u>	<u>9,660,375</u>
Excess (deficiency) of revenues over expenditures	<u>(652,399)</u>	<u>474,643</u>	<u>632,732</u>	<u>286,342</u>	<u>741,318</u>
Other Financing Sources (Uses)					
Transfers in	188,888	-	-	167,753	356,641
Transfers out	-	-	(167,753)	-	(167,753)
Total other financing sources and uses	<u>188,888</u>	<u>-</u>	<u>(167,753)</u>	<u>167,753</u>	<u>188,888</u>
Net change in fund balances	(463,511)	474,643	464,979	454,095	930,206
Fund balances - beginning	<u>2,167,977</u>	<u>2,538,156</u>	<u>767,985</u>	<u>1,642,111</u>	<u>7,116,229</u>
Fund balances - ending	<u>\$ 1,704,466</u>	<u>\$ 3,012,799</u>	<u>\$ 1,232,964</u>	<u>\$ 2,096,206</u>	<u>\$ 8,046,435</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds \$ 930,206

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets 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 of capital assets recorded in the current period.	120,236
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense and adjustments are not reported as expenditures in the governmental funds.	(1,176,676)
The issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	675,496
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	292,808
Pension contributions made to the pension plan are reported as expenditures in the governmental funds and are reported as a reduction in net pension liability on the face of the statement of net position	589,295
OPEB contributions made to the OPEB plan are reported as expenditures in the governmental funds and are reported as a reduction in OPEB liability on the face of the statement of net position	1,288
Certain unavailable revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(100,536)
Pension expense for the pension plan measurement year	(467,286)
OPEB expense for the plan measurement year	<u>(14,451)</u>
Change in net position of governmental activities	<u>\$ 850,380</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUND
September 30, 2018

	<u>Enterprise Fund</u>
	<u>Utilities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,757,585
Restricted cash and cash equivalents	532,345
Accounts receivable, net	720,465
Due from other funds	12,720
Prepaid items	9,220
Total current assets	<u>5,032,335</u>
Non-current assets:	
Capital Assets:	
Land	25,567
Buildings and improvements	11,208,940
Equipment	1,175,955
Total noncurrent assets	<u>12,410,462</u>
Less Accumulated depreciation	<u>(5,364,615)</u>
Total noncurrent assets, net	<u>7,045,847</u>
Total assets	<u>12,078,182</u>
Deferred Outflows of Resources	
Deferred charge on refunding	33,747
Deferred outflows - pension	46,775
Deferred outflows - OPEB	1,800
Total deferred outflows	<u>82,322</u>
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable	433,833
Accrued liabilities	225,966
Customer deposits	397,920
Accrued interest	3,275
Current portion of bonds payable	131,150
Total current liabilities	<u>1,192,144</u>
Noncurrent liabilities:	
Bonds payable	483,750
Compensated absences	183,469
Net pension liability	205,147
Net OPEB liability	21,600
Total non-current liabilities	<u>893,966</u>
Total liabilities	<u>2,086,110</u>
Deferred inflows of Resources	
Deferred inflows - pension	131,317
Total deferred outflows	<u>131,317</u>
Net Position	
Net investment in capital assets	6,464,694
Unrestricted	3,478,383
Total Net Position	<u>\$ 9,943,077</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018

	<u>Enterprise Fund</u>
	<u>Utilities</u>
Operating revenues	
Water service	\$ 2,977,801
Sewer service	2,524,471
Tap & collection fees	246,692
Delinquent charges	142,198
Service fees and miscellaneous	488,044
Total operating revenues	<u>6,379,206</u>
Operating expenses	
Personnel services	1,141,144
Supplies	106,767
Contractual services	3,315,257
Depreciation and amortization	249,610
Total operating expenses	<u>4,812,778</u>
Operating income (loss)	<u>1,566,428</u>
Non-operating revenues (expenses)	
Investment income	6,417
Interest expense	(20,086)
Total Non-operating revenue (expenses), net	<u>(13,669)</u>
Income (loss) before transfers	1,552,759
Transfers out	(188,888)
Change in net position	1,363,871
Total net position - beginning of the year	8,597,306
Prior period adjustment	(18,100)
Total net position - ending of the year	<u>\$ 9,943,077</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018

	<u>Enterprise Fund</u>
	<u>Utilities</u>
Operating Activities	
Cash received from customers	\$ 6,340,435
Cash payments to suppliers for goods and services	(3,431,345)
Cash payments to employees for services	(994,785)
Net cash provided (used) by operating activities	<u>1,914,305</u>
Noncapital Financing Activities	
Transfers to other funds	(204,113)
Net cash provided (used) by noncapital financing activities	<u>(204,113)</u>
Capital and Related Financing Activities	
Purchase of capital assets	(62,187)
Repayment of debt	(131,150)
Interest paid on debt	(20,086)
Net cash provided (used) in capital and related financing activities	<u>(213,423)</u>
Investing Activities	
Investment income	6,417
Net cash provided (used) by investing activities	<u>6,417</u>
Net change in cash and cash equivalents	1,503,186
Cash and equivalents, beginning of year	<u>2,786,744</u>
Cash and equivalents, at end of year	<u>\$ 4,289,930</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (continued)
YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities Utilities
	<hr/>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 1,566,428
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation and amortization	249,610
(Increase) decrease in accounts receivable and unbilled revenue	(47,670)
(Increase) decrease in prepaids items	(9,220)
(Increase) decrease in deferred outflows - pensions	103,592
Increase (decrease) in deferred outflows - OPEB	(1,700)
Increase (decrease) in deferred inflows - pension	82,400
Increase (decrease) in accounts payable	(101)
Increase (decrease) in accrued liabilities	144,856
Increase (decrease) in net pension liability	(207,206)
Increase (decrease) in net OPEB liability	3,400
Increase (decrease) in compensated absences	21,017
Increase (decrease) in deposits	8,899
Net cash provided by operating activities	<hr/> \$ 1,914,305 <hr/>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND
September 30, 2018

<u>Data Control</u> <u>Codes</u>		<u>Agency Fund</u>
	Assets	
1110	Cash and cash equivalents	\$ 5,954
1000	Total Assets	<u>\$ 5,954</u>
	Liabilities	
2190	Due to Others	\$ 5,954
2000	Total Liabilities	<u>\$ 5,954</u>

See Notes to Basic Financial Statements.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Forest Hill, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board (accompanied by either the potential imposition of will or ongoing financial benefit/burden), 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. For this last test, special attention must be paid 1) to certain special financing authorities and 2) to the nature and significance of a legally separate, tax-exempt entity's relationship with the primary government and its component units. Based upon the application of these tests, the City of Forest Hill does not have any component units.

B. Government-Wide and Fund Financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

The government reports the following major governmental funds:

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

The *motel tax fund* accounts for all taxes received from hotel/motel taxable receipts. The City assesses a 7% tax on taxable room receipts.

The *community development corporation fund* accounts for a portion of sales tax revenues.

The government reports the following major proprietary fund:

The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund accounts for water and sewer, sanitation and stormwater activities.

The government reports on type of fiduciary fund, an agency fund, which accounts for water impact fees for the City of Fort Worth. The government only reports the cash and the amount due to the City of Fort Worth.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

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

Amounts reported as *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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at fair value.

2. 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 balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

3. Restricted Assets

Certain resources are set aside on the balance sheet because their use is limited. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

<u>Assets</u>	<u>Years</u>
Water/Sewer System	30-65
Buildings	25-30
Infrastructure	25
Equipment	5-10
Vehicles	5

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees can earn vacation up to a maximum of 20 days per year and are required to use or request buy back for a minimum of 80 hours per year. Any remaining vacation balances may be carried forward. Upon termination, vacation accrual would be paid. Sick leave will be accrued up to a maximum of 15 days per year and would be accrued without limit; however, upon termination unused sick leave will be compensated at a lump sum, up to a maximum of 90 days. The vacation limitation may be waived by the City Manager under certain circumstances. All vacation pay and sick leave benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position .

In the fund financial statements, governmental fund types, 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.

7. Fund Equity

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. The City has committed \$3,012,799 for the Motel Tax fund (a major fund) as well as \$1,232,964 for the Community Development Corporation fund (a major fund).
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the City Council delegates this authority. No amounts were assigned.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City 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, (9) and bid solicitation preferences for certificates of deposit. The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by State law.

Deposits and investments as of September 30, 2018, are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 8,396,143
Business-Type Activities	<u>4,289,930</u>
	<u>\$ 12,686,073</u>

Deposits and investments as of September 30, 2018, consist of the following:

Deposits with financial institutions	\$ 7,877,808
Texpool Investments	<u>4,808,265</u>
	<u>\$ 12,686,073</u>

For the purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 365 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2018, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity
TexPool	<u>\$ 4,808,265</u>	37 days
	<u>\$ 4,808,265</u>	

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City’s investment policy or debt agreements and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Minimum Rating Required</u>	<u>Actual Investment Rating</u>
TexPool	\$ 4,808,265	AAA	AAAm
	<u>\$ 4,808,265</u>		

The City reports restricted assets for the following items:

Customer Deposits	\$ 397,920
Accrued Interest Payable	3,275
Current Portion of Bonds Payable	131,150
	<u>\$ 532,345</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2018, other than external investment pools, the City did not have 5% or more of its investments with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance of \$250,000 at all times.

At September 30, 2018, the carrying amount of the City’s cash on hand and deposits was \$7,883,113 and the bank balance was \$8,217,891. Of the bank balance, \$500,000 was covered by federal depository insurance for depository, while the remaining \$7,717,891 was secured with securities held by the pledging financial institution's trust department or agent in the City’s name.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

The City is a voluntary participant in the TexPool external investment pools. TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations or, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and superior capacity to maintain principal value and limit exposure to loss.

The City's external pooled funds are reported at amortized cost as permitted by GASB Statement No. 79, Certain External Investment Pools and Pool Participants. Amortized cost for the investment pools approximates fair value. In addition, The City's investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Note 3 - Capital Assets

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

	Balance September 30, 2017	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 807,225	\$ -	\$ -	\$ 807,225
Construction in progress	34,131	-	-	34,131
Total capital assets not being depreciated	<u>841,356</u>	<u>-</u>	<u>-</u>	<u>841,356</u>
Capital assets being depreciated				
Buildings and improvements	4,042,727	18,328	-	4,061,055
Equipment	4,501,602	89,900	(19,000)	4,572,502
Infrastructure	38,337,404	14,008	17,000	38,368,412
Total capital assets being depreciated	<u>46,881,733</u>	<u>122,236</u>	<u>(2,000)</u>	<u>47,001,969</u>
Less accumulated depreciation				
Buildings and improvements	(661,065)	(103,533)	-	(764,598)
Equipment	(4,026,203)	(140,258)	3,800	(4,162,661)
Infrastructure	(31,445,916)	(936,345)	(340)	(32,382,601)
Total accumulated depreciation	<u>(36,133,184)</u>	<u>(1,180,136)</u>	<u>3,460</u>	<u>(37,309,860)</u>
Total capital assets being depreciated, net	<u>10,748,549</u>	<u>(1,057,900)</u>	<u>1,460</u>	<u>9,692,109</u>
Governmental activities capital assets, net	<u>\$ 11,589,905</u>	<u>\$ (1,057,900)</u>	<u>\$ 1,460</u>	<u>\$ 10,533,465</u>

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Capital Assets (continued)

	Balance September 30, 2017	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2018
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 25,567	\$ -	\$ -	\$ 25,567
Total capital assets not being depreciated	<u>25,567</u>	<u>-</u>	<u>-</u>	<u>25,567</u>
Capital assets being depreciated				
Buildings and improvements	11,184,795	41,145	(17,000)	11,208,940
Equipment	1,137,913	19,042	19,000	1,175,955
Total capital assets being depreciated	<u>12,322,708</u>	<u>60,187</u>	<u>2,000</u>	<u>12,384,895</u>
Less accumulated depreciation for				
Buildings and improvements	(4,102,984)	(214,717)	340	(4,317,361)
Equipment	(1,012,021)	(31,433)	(3,800)	(1,047,254)
Total accumulated depreciation	<u>(5,115,005)</u>	<u>(246,150)</u>	<u>(3,460)</u>	<u>(5,364,615)</u>
Total capital assets being depreciated, net	<u>7,207,703</u>	<u>(185,963)</u>	<u>(1,460)</u>	<u>7,020,280</u>
Business-type activities capital assets, net	<u>\$ 7,233,270</u>	<u>\$ (185,963)</u>	<u>\$ (1,460)</u>	<u>\$ 7,045,847</u>

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

Governmental activities	
General government	\$ 103,533
Public safety	140,258
Public works	936,345
Total depreciation expense - Governmental Activities	<u>\$ 1,180,136</u>
Business-Type activities	
Water and sewer	\$ 246,150
Total depreciation expense - Business-Type Activities	<u>\$ 246,150</u>

Capital Leases

The government has entered into various lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of September 30, 2018, the equipment leased under capital leases had a carrying value of \$212,616, all of which are classified with governmental activities equipment.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 2,188,950	\$ -	\$ (313,850)	\$ 1,875,100	\$ 318,850
Certificates of obligation	2,515,000	-	(205,000)	2,310,000	220,000
Capital lease obligations	460,423	-	(156,646)	303,777	160,618
Compensated absences	1,292,805	386,737	(679,545)	999,997	-
Total governmental activities	<u>6,457,178</u>	<u>386,737</u>	<u>(1,355,041)</u>	<u>5,488,874</u>	<u>699,468</u>
Business-Type Activities					
General obligation bonds	746,050	-	(131,150)	614,900	131,150
Compensated absences	162,451	73,723	(52,705)	183,469	-
Total Business-type Activities	<u>908,501</u>	<u>73,723</u>	<u>(183,855)</u>	<u>798,369</u>	<u>131,150</u>
Total government-wide activities	<u>\$ 7,365,679</u>	<u>\$ 460,460</u>	<u>\$ (1,538,896)</u>	<u>\$ 6,287,243</u>	<u>\$ 830,618</u>

Compensated absences will be liquidated from General Fund and the Utilities Fund.

Amounts payable at September 30, 2018, are comprised of the following individual issues:

2007 Certificates of Obligation; interest payable February 1 and August 1 at a rate of 4.14%	\$ 1,435,000
2009 Certificates of Obligation; interest payable February 1 and August 1 at rates ranging from 2.00% to 4.375%	875,000
2011 General Obligation Refunding Bonds; interest payable February 1 and August 1 at rates ranging from 2.0% and 3.0%	1,430,000
2014 General Obligation Refunding Bonds; interest payable March 1 and September 1 at a rate of 2.45%	<u>1,060,000</u>
	<u>\$ 4,800,000</u>

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Long-Term Debt (continued)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2018, are as follows:

General Obligation Bonds

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 318,850	\$ 46,098	\$ 131,150	\$ 16,480
2020	326,700	37,217	133,300	12,513
2021	332,400	28,147	137,600	8,450
2022	338,100	18,905	141,900	4,257
2023	239,050	11,051	70,950	1,064
2024 - 2028	320,000	7,982	-	-
	<u>\$ 1,875,100</u>	<u>\$ 149,400</u>	<u>\$ 614,900</u>	<u>\$ 42,764</u>

Certificates of Obligation

	Governmental Activities	
	Principal	Interest
2019	\$ 220,000	\$ 91,096
2020	230,000	81,903
2021	235,000	72,404
2022	245,000	62,597
2023	260,000	52,280
2024 - 2028	1,120,000	96,611
	<u>\$ 2,310,000</u>	<u>\$ 456,891</u>

The City's capital leases are for police and fire communication equipment (\$61,087) and police cars and fire trucks (\$242,690). The annual principal and interest requirements for capital leases are as follows:

September 30,	Principal Payments	Interest
2019	\$ 160,618	\$ 6,377
2020	101,304	2,289
2021	41,855	753
	<u>\$ 303,777</u>	<u>\$ 9,419</u>

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Interfund Balances

For the year ended September 30, 2018, interfund balances consisted of:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Enterprise Fund	General Fund	\$ 12,720
		<u>\$ 12,720</u>

For the year ended September 30, 2018, interfund transfers consisted of:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>
General Fund	Utilities Fund	\$ 188,888
Debt Service Fund	CDC Fund	167,753
		<u>\$ 356,641</u>

All interfund transfers between the various funds are approved supplements to the operations of those funds.

Note 6 - Accounts Receivable

Amounts recorded as receivables as of September 30, 2018, for the government’s individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Motel Tax</u>	<u>Community Development Corporation</u>	<u>Other Non Major Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables						
Property taxes, including penalties and interest	\$ 424,263	\$ 37,475	\$ -	\$ 76,111	\$ -	\$ 537,849
Sales and other taxes	280,842	-	140,421	70,278	-	491,541
Franchise fees	46,887	-	-	-	-	46,887
Utility bills	-	-	-	-	1,894,453	1,894,453
Other	60,034	-	-	-	-	60,034
Allowance for uncollectibles	(124,487)	-	-	(29,526)	(1,173,988)	(1,328,001)
	<u>\$ 687,539</u>	<u>\$ 37,475</u>	<u>140,421</u>	<u>\$ 116,863</u>	<u>\$ 720,465</u>	<u>\$ 1,702,763</u>

Note 7 - Employee Retirement System

The City of Forest Hill, Texas participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

A. 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.

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

Employee deposit rate	7.00%
Matching ration (city to employee)	2 to 1
Years required for vesting	5
Updated Service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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

Number of	
Inactive employees or beneficiaries currently receiving benefit	68
Inactive employees entitled to but not yet receiving benefits	84
Active employees	83
Total	<u><u>235</u></u>

B. Contributions

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

Employees for the City were required to contribute 7.00 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.33 percent and 13.32 percent in calendar years 2017 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2018 were \$691,757, and were equal to the required contributions.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

C. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

C. Net Pension Liability (continued)

Actuarial assumptions:

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100%	

Discount Rate

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

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

C. Net Pension Liability (continued)

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2016	\$ 20,936,457	\$ 17,711,316	\$ 3,225,141
Changes for the year:			
Service cost	812,138	-	812,138
Interest (on the Total Pension Liability)	1,417,740	-	1,417,740
Difference between expected and actual experience	(208,646)	-	(208,646)
Contributions - employer	-	642,100	(642,100)
Contributions - employee	-	337,187	(337,187)
Net investment income	-	2,454,229	(2,454,229)
Benefit payments, including refunds of employee contributions	(677,943)	(677,943)	-
Administrative expense	-	(12,723)	12,723
Other	-	(645)	645
Balance at 12/31/2017	<u>\$ 22,279,746</u>	<u>\$ 20,453,521</u>	<u>\$ 1,826,225</u>

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

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

<u>1% Decrease</u>	<u>Current Single Rate Assumption</u>	<u>1% Increase</u>
<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
\$5,504,453	\$1,826,225	(\$1,129,949)

Pension Plan Fiduciary Net Position

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

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Employee Retirement System (continued)

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

For the year ended September 30, 2018, the city recognized pension expense of \$548,535.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ -	\$ 364,420
Difference in assumption changes	-	586
Difference in projected and actual earnings on pension plan investments.	-	520,689
Employer contributions made after the measurement date	<u>498,093</u>	<u>-</u>
Totals	<u>\$ 498,093</u>	<u>\$ 885,695</u>

The City reported \$498,093 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ (152,565)
2020	(188,983)
2021	(292,406)
2022	<u>(251,741)</u>
Total	<u>\$ (885,695)</u>

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Other Postemployment Benefits

A. TMRS Supplemental Death Benefits Plan

Benefit Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member 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.

Membership in the plan as of the measurement date of December 31, 2017, was as follows:

Number of		
Inactive employees or beneficiaries currently receiving benefits		26
Inactive employees entitled to but not yet receiving benefits		12
Active employees		83
Total		<u>121</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.13% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

B. Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the TOL as of December 31, 2016 using a discount rate of 3.78% as of December 31, 2016.

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Other Postemployment Benefits (continued)

C. Actuarial Assumptions

The City’s Total OPEB Liability (“TOL”) was measured at December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees’ share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index’s “20-year Municipal GO AA Index” rate as of December 31, 2017.

D. Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2016	\$ 151,518
Changes for the year:	
Service cost	8,189
Interest (on the Total OPEB Liability)	5,855
Difference between expected and actual experience	
Changes of assumptions	15,927
Benefit payments, including refunds of employee contributions	(1,445)
Balance at 12/31/2017	\$ 180,044
Total OPEB as a Percent of Covered Payroll	3.74%

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Other Postemployment Benefits (continued)

E. Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as what the City’s Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease	Current Single Rate Assumption	1% Increase
2.3100%	3.31%	4.3100%
\$221,630	\$180,044	\$148,495

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2018, the City recognized OPEB expense of \$16,421 relating to the SDBF plan.

As of September 30, 2018, the City reported deferred outflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources
Difference in assumption changes	\$ 13,550
Employer contributions made after the measurement date	1,122
Totals	\$ 14,672

The \$1,122 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2018	\$ 2,377
2019	2,377
2020	2,377
2021	2,377
2022	2,377
2023 and after	1,665
Total	\$ 13,550

CITY OF FOREST HILL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts such as: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Risk Pool) to provide general liability and property insurance and workers' compensation.

The City, along with other participating entities, contributes annual amounts determined by the Risk Pool. Contributions to the Risk Pool for workers' compensation are based on the City's payroll. As claims arise they are submitted to and paid by the Risk Pool.

The liability of the Texas Municipal League Intergovernmental Risk Pool is limited to a \$2,000,000 annual aggregate for general liability, errors and omissions, and law enforcement. The automobile liability limit for the risk pool is \$1,000,000 for each occurrence.

There have been no significant changes in insurance coverage as compared to last year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 10 - Litigation

Various claims and lawsuits are pending against the City of Forest Hill. In the opinion of the City's Legal Counsel and Management, the potential losses will not have a material effect on the City's financial statements.

Note 11 - Prior Period Adjustment

As of September 30, 2017, the City implemented GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new standard requires the City to report its estimated long-term liability for post-employment benefits provided for retirees (see Note 8 for more explanation of the benefits). As a result of the implementation of this new accounting standard, the City made an adjustment to its beginning equity accounts as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Net position - beginning of the year:</u>		
As originally presented	\$ 10,624,084	\$ 8,597,306
Change in accounting principle for:		
Beginning net OPEB liability	(133,318)	(18,200)
Deferred Outflows - 2017 year OPEB contributions made after previous net OPEB liability measurement date	909	100
As restated	<u>\$ 10,491,675</u>	<u>\$ 8,579,206</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOREST HILL, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and franchise fees	\$ 6,108,610	\$ 6,108,610	\$ 6,268,901	\$ 160,291
Licenses and permits	526,500	526,500	445,049	(81,451)
Charges for services	360,000	360,000	393,553	33,553
Fines and forfeitures	869,066	869,066	849,227	(19,839)
Interest income	5,000	5,000	56,218	51,218
Intergovernmental	6,000	6,000	14,361	8,361
Miscellaneous	54,300	54,300	140,325	86,025
Total Revenues	<u>7,929,476</u>	<u>7,929,476</u>	<u>8,167,634</u>	<u>238,158</u>
Expenditures				
Current:				
General government	1,917,173	1,897,175	2,113,840	(216,665)
Public safety	4,512,830	4,527,430	4,785,603	(258,173)
Public works	917,265	922,665	991,624	(68,959)
Parks and recreation	262,000	262,000	163,681	98,319
Community development	289,185	289,185	398,399	(109,214)
Capital outlay	140,200	140,200	199,891	(59,691)
Debt Service:				
Principal	189,000	189,000	156,646	32,354
Interest and other charges	-	-	10,349	(10,349)
Total Expenditures	<u>8,227,653</u>	<u>8,227,655</u>	<u>8,820,033</u>	<u>(592,378)</u>
Excess (deficiency) of revenues over expenditures	<u>(298,177)</u>	<u>(298,179)</u>	<u>(652,399)</u>	<u>(354,220)</u>
Other Financing Sources (Uses)				
Transfers in	188,888	188,888	188,888	-
Total other financing sources and uses	<u>188,888</u>	<u>188,888</u>	<u>188,888</u>	<u>-</u>
Net change in fund balances	(109,289)	(109,291)	(463,511)	(354,220)
Fund balance, beginning of year	<u>2,167,977</u>	<u>2,167,977</u>	<u>2,167,977</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,058,688</u>	<u>\$ 2,058,686</u>	<u>\$ 1,704,466</u>	<u>\$ (354,220)</u>

CITY OF FOREST HILL, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year Ended September 30, 2018

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

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

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

No later than August 10, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting is scheduled before October 1 to finalize the adoption of the new budget.

3. The City Manager is authorized to transfer budgeted amounts within departments in any fund; however, any revisions that alter expenditures between departments of any fund, must be approved by the City Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. No supplemental appropriations were made during the fiscal year.
5. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis.

B. Budget Variances

Expenditures related to parks and recreation and debt service were less than budgeted amounts by \$98,319 and \$22,005, respectively. Total revenue and expenditures within the General Fund (the legal level of budgetary control) exceeded budgetary revenues and expenditures by \$238,158 and \$592,378, respectively, resulting in a net deficiency of \$354,220. Net transfers were \$188,888 and were equal to the budget resulting in a net negative (loss) change in fund balance of (\$354,220). Employee pay and benefits resulted in expense of \$6,115,053 which exceeded the budgetary amount of \$5,720,065 by \$394,988.

CITY OF FOREST HILL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MOTEL TAX
YEAR ENDED SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance Positive / (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$ 460,000	\$ 460,000	\$ 463,010	\$ 3,010
Interest income	1,500	1,500	11,624	10,124
Miscellaneous	100	100	9	(91)
Total Revenues	461,600	461,600	474,643	13,043
Expenditures				
Current:				
Parks and recreation	1,100	1,100	-	1,100
Total Expenditures	1,100	1,100	-	1,100
Net change in fund balances	460,500	460,500	474,643	14,143
Fund balances, beginning of year	2,538,156	2,538,156	2,538,156	-
Fund balances, end of year	\$ 2,998,656	\$ 2,998,656	\$ 3,012,799	\$ 14,143

CITY OF FOREST HILL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT CORPORATION
YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive / (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Taxes	\$ 725,000	\$ 725,000	\$ 774,050	\$ 49,050
Interest income	-	-	4,180	4,180
Total revenues	<u>725,000</u>	<u>725,000</u>	<u>778,230</u>	<u>53,230</u>
Expenditures				
Current:				
Community Development	<u>171,860</u>	<u>171,860</u>	<u>145,498</u>	<u>26,362</u>
Total expenditures	<u>171,860</u>	<u>171,860</u>	<u>145,498</u>	<u>26,362</u>
Excess (deficiency) of revenues over expenditures	<u>553,140</u>	<u>553,140</u>	<u>632,732</u>	<u>79,592</u>
Other financing sources (uses)				
Transfers out	<u>(167,753)</u>	<u>(167,753)</u>	<u>(167,753)</u>	<u>-</u>
Total other financing sources (uses)	<u>(167,753)</u>	<u>(167,753)</u>	<u>(167,753)</u>	<u>-</u>
Net change in fund balances	385,387	385,387	464,979	79,592
Fund balances, beginning of year	<u>767,985</u>	<u>767,985</u>	<u>767,985</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,153,372</u>	<u>\$ 1,153,372</u>	<u>\$ 1,232,964</u>	<u>\$ 79,592</u>

CITY OF FOREST HILL, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Four Measurement Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 812,138	\$ 771,871	\$ 759,161	\$ 633,495
Interest	1,417,740	1,350,673	1,314,117	1,233,382
Difference between expected and actual experience	(208,646)	(418,201)	(8,297)	(42,513)
Change in assumptions	-	-	(2,517)	-
Benefit payments, including refunds of employee contributions	<u>(677,943)</u>	<u>(783,244)</u>	<u>(880,658)</u>	<u>(587,027)</u>
Net change in total pension liability	1,343,289	921,099	1,181,806	1,237,337
Total pension liability - beginning	<u>20,936,757</u>	<u>20,015,658</u>	<u>18,833,852</u>	<u>17,596,515</u>
Total pension liability - ending (a)	<u>\$ 22,280,046</u>	<u>\$ 20,936,757</u>	<u>\$ 20,015,658</u>	<u>\$ 18,833,852</u>
Plan fiduciary net position:				
Contributions - employer	\$642,100	\$621,952	\$641,548	\$560,850
Contributions - employee	337,187	324,901	325,222	299,234
Net investment income	2,454,527	1,111,844	24,134	870,744
Benefit payments, including refunds of employee contributions	(677,943)	(783,244)	(880,658)	(587,027)
Administrative expense	(12,721)	(12,555)	(14,699)	(9,090)
Other	<u>(645)</u>	<u>(676)</u>	<u>(726)</u>	<u>(747)</u>
Net change in plan fiduciary net position	2,742,505	1,262,222	94,821	1,133,964
Plan fiduciary net position - beginning	<u>17,711,316</u>	<u>16,449,094</u>	<u>16,354,273</u>	<u>15,220,309</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,453,821</u>	<u>\$ 17,711,316</u>	<u>\$ 16,449,094</u>	<u>\$ 16,354,273</u>
Net pension liability - ending (a) - (b)	\$ 1,826,225	\$ 3,225,441	\$ 3,566,564	\$ 2,479,579
Plan fiduciary net position as a percentage of total pension liability	91.80%	84.59%	82.18%	86.83%
Covered payroll	\$4,816,953	\$4,641,438	\$4,646,029	\$4,264,769
Net pension liability as a percentage of covered payroll	37.91%	69.49%	76.77%	58.14%

The amounts presented are for each measurement year, which ends the preceding December 31st of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF FOREST HILL, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Last Four Fiscal Years

	2018	Fiscal Year 2017	2016	2015
Actuarially Determined Contributions	\$ 698,363	\$ 633,430	\$ 629,783	\$ 605,850
Contributions in relation to the actuarially determined contribution	(698,363)	(633,430)	(629,783)	(605,850)
Contribution deficiency(excess)	-	-	-	-
Covered payroll	5,193,289	4,703,542	4,625,896	4,394,610
Contributions as a percentage of Covered payroll	13.45%	13.47%	13.61%	13.79%

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation to an experience study for the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information: Notes	There were no benefit changes during the year.

CITY OF FOREST HILL, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Measurement Year

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 8,189
Interest	5,855
Change in assumptions	15,927
Benefit payments, including refunds of employee contributions	<u>(1,445)</u>
Net change in total OPEB liability	28,526
Total OPEB liability - beginning	<u>151,518</u>
Total OPEB liability - ending	<u>\$ 180,044</u>
Covered payroll	\$4,814,011
Total OPEB liability as a percentage of covered payroll	3.74%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

**COMBINING
FUND STATEMENTS**

CITY OF FOREST HILL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Juvenile Case Manager	Court Technology	Court Safety	Park
Assets				
Cash and cash equivalents	\$ 113,006	\$ 37,251	\$117,915	\$275,169
Accounts receivable	-	-	-	-
Prepays and deposits	-	-	-	207
Total assets	\$ 113,006	\$ 37,251	\$117,915	\$275,376
Liabilities, Deferred Inflows and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 5,815	\$ -	\$ -
Accrued liabilities	2,752	-	-	-
Total liabilities	2,752	5,815	-	-
Deferred Inflows of Resources				
Deferred inflows	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Non-spendable				
Prepaid items	-	-	-	207
Restricted				
Debt service	-	-	-	-
Parks and recreation	-	-	-	275,169
Public works	-	-	-	-
Public safety	110,254	31,436	117,915	-
Capital acquisitions and contractual obligations	-	-	-	-
Committed	-	-	-	-
Total Fund Balances	110,254	31,436	117,915	275,376
Total Liabilities, Deferred Inflows and Fund Balances	\$ 113,006	\$ 37,251	\$117,915	\$275,376

<u>Library</u>	<u>Street Improvements</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,668	\$ 667,674	\$ 289,454	\$ 560,976	\$ 2,064,113
-	70,278	46,585	-	116,863
5,682	-	-	-	5,889
<u>\$ 8,350</u>	<u>\$ 737,952</u>	<u>\$ 336,039</u>	<u>\$ 560,976</u>	<u>\$ 2,186,865</u>
\$ -	\$ 34,729	\$ -	\$ -	\$ 40,544
779	-	-	-	3,531
<u>779</u>	<u>34,729</u>	<u>-</u>	<u>-</u>	<u>44,075</u>
-	-	46,584	-	46,584
-	-	46,584	-	46,584
5,682	-	-	-	5,889
-	-	289,455	-	289,455
1,889	-	-	-	277,058
-	703,223	-	-	703,223
-	-	-	-	259,605
-	-	-	560,976	560,976
-	-	-	-	-
<u>7,571</u>	<u>703,223</u>	<u>289,455</u>	<u>560,976</u>	<u>2,096,206</u>
<u>\$ 8,350</u>	<u>\$ 737,952</u>	<u>\$ 336,039</u>	<u>\$ 560,976</u>	<u>\$ 2,186,865</u>

CITY OF FOREST HILL, TEXAS
COMBINING STATEMENT OF REVENUES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Juvenile Case Manager	Court Technology	Court Safety	Park
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	17,424	13,059	-
Charges for services	21,608	-	-	125
Interest income	-	52	-	-
Total revenues	<u>21,608</u>	<u>17,476</u>	<u>13,059</u>	<u>125</u>
Expenditures				
Current:				
Public safety	607	19,968	422	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>607</u>	<u>19,968</u>	<u>422</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>21,001</u>	<u>(2,492)</u>	<u>12,637</u>	<u>125</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	21,001	(2,492)	12,637	125
Fund balances - beginning	<u>89,253</u>	<u>33,928</u>	<u>105,278</u>	<u>275,251</u>
Fund balances - ending	<u>\$ 110,254</u>	<u>\$ 31,436</u>	<u>\$117,915</u>	<u>\$ 275,376</u>

Library	Street Improvements	Debt Service	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 387,025	\$ 516,796	\$ -	\$ 903,821
-	-	-	-	30,483
-	-	-	-	21,733
-	4,761	9,300	11,036	25,149
-	391,786	526,096	11,036	981,186
-	-	-	-	20,997
-	-	518,850	-	518,850
-	-	154,171	-	154,171
-	-	826	-	826
-	-	673,847	-	694,844
-	391,786	(147,751)	11,036	286,342
-	-	167,753	-	167,753
-	-	167,753	-	167,753
-	391,786	20,002	11,036	454,095
7,571	311,437	269,453	549,940	1,642,111
<u>\$ 7,571</u>	<u>\$ 703,223</u>	<u>\$ 289,455</u>	<u>\$ 560,976</u>	<u>\$ 2,096,206</u>