

ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2017

**City of**  
*Ingleside On The Bay, Texas*



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**CITY OF INGLESIDE ON THE BAY**

ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2017

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# INTRODUCTORY SECTION

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# **CITY OF INGLESIDE ON THE BAY**

## **List of Principal Officials**

### ***ELECTED OFFICIALS***

Jo Ann Ehmann	Mayor
Susan Hewitt	Mayor Pro-Tem
Larry Gillespie	Alderman
Tom Merrick	Alderman
Leona Robbins	Alderman
Cindy Young	Alderman

### ***APPOINTED OFFICIALS***

Diane Hosea	City Secretary
Tom Merrick	City Treasurer

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## FINANCIAL SECTION

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# Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

The Honorable Mayor,  
Members of City Council  
City of Ingleside On The Bay, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Ingleside On The Bay, ("the City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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 of material misstatement.

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

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Our Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ingleside On The Bay, Texas's financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

*Lovvorn & Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
Corpus Christi, Texas  
July 25, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF INGLESIDE ON THE BAY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**(UNAUDITED)**

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

The City maintains two funds: Governmental Funds – the General Fund and Proprietary Funds – the Utility Enterprise Fund.

**FINANCIAL HIGHLIGHTS**

Net Position. The assets of the City exceeded its liabilities at September 30, 2017 by \$4,979,743 (presented as "net position"). Of this amount \$1,344,606 was reported as "unrestricted Net Position." Unrestricted net position represents the amount not restricted by parties outside the City.

Changes in Net Position. The City's total net position increased by \$328,955 (a 7% increase) in fiscal year 2017.

Hurricane Harvey. The City experienced a natural disaster on August 25, 2017, as a result of Hurricane Harvey. See Note 11, page 29, for more detail regarding the impact of the disaster on the City.

**The Government-wide financial statements.** *The government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year using full accrual basis of accounting. 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 result in cash flows in future fiscal periods (e.g., net property taxes receivable).

**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, 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 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. Unlike the government-wide financial statements, however, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City'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 the comparison between *governmental funds* and *governmental activities*.

The City maintains one governmental fund – the General Fund. The City adopts an annual appropriated budget as a management control device during the year for the General Fund. The Required Supplementary Information includes a budgetary comparison schedule (original versus final) for the General Fund to demonstrate compliance with budget.

**Proprietary funds.** The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise fund to account for its water utility, solid waste, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Notes to the basic 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the general fund budgetary schedule.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	618,819	543,342	809,128	772,608	1,427,947	1,315,950
Capital assets	273,772	153,514	4,935,893	4,944,042	5,209,665	5,097,556
Total assets	892,591	696,856	5,745,021	5,716,650	6,637,612	6,413,506
Other liabilities	2,205	1,411	45,664	51,307	47,869	52,718
Long-term liabilities outstanding	-	-	1,610,000	1,710,000	1,610,000	1,710,000
Total liabilities	2,205	1,411	1,655,664	1,761,307	1,657,869	1,762,718
Net Position:						
Net Investment in capital assets,	273,772	153,514	3,325,893	3,234,041	3,599,665	3,387,555
Restricted for: Debt Service	-	-	35,472	35,191	35,472	35,191
Unrestricted	616,614	541,931	727,992	686,111	1,344,606	1,228,042
Total net position (deficit)	890,386	695,445	4,089,357	3,955,343	4,979,743	4,650,788

By far the largest portion of the City's net position (72%) reflects its investment in capital assets (e.g. land, buildings, utility plant, equipment, and infrastructure), net of any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

Except for Debt Service, there is no portion of the City's net position representing resources that are subject to external restriction on how it may be used. The unrestricted net position of \$1,344,606 may be used to meet the City's ongoing obligations to citizens and creditors. Of the unrestricted net position, \$727,992 is attributable to business-type activities.

### CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program revenues:						
Charges for services	6,582	8,385	556,676	549,984	563,258	558,369
Operating grants and contributions	14,068	3,864	72,000	-	86,068	3,864
Capital grants and contributions	92,701	3,500	70,125	408,630	162,826	412,130
General revenues:						
Taxes:						
Property taxes	133,879	122,542	-	-	133,879	122,542
Sales taxes	17,665	20,838	-	-	17,665	20,838
Franchise taxes	24,699	25,219	-	-	24,699	25,219
Unrestricted investment earnings	2,135	211	2,547	272	4,682	483
Other	7,349	4,018	-	-	7,349	4,018
<b>Total revenues</b>	<b>299,078</b>	<b>188,577</b>	<b>701,348</b>	<b>958,886</b>	<b>1,000,426</b>	<b>1,147,463</b>
<b>EXPENSES</b>						
Program activities:						
Governmental activities:						
General government	51,256	46,276	-	-	51,256	46,276
Public Safety	75,615	73,192	-	-	75,615	73,192
Public Works	42,569	26,937	-	-	42,569	26,937
Cultural and Recreation	222	196	-	-	222	196
Business-type activities:						
Water, Sewer and Sanitation	-	-	501,809	433,279	501,809	433,279
<b>Total expenses</b>	<b>169,662</b>	<b>146,601</b>	<b>501,809</b>	<b>433,279</b>	<b>671,471</b>	<b>579,880</b>
Excess (deficiency) before transfers	129,416	41,976	199,539	525,607	328,955	567,583
Transfers in (out)	65,525	-	(65,525)	-	-	-
<b>Increase (decrease) in net position</b>	<b>194,941</b>	<b>41,976</b>	<b>134,014</b>	<b>525,607</b>	<b>328,955</b>	<b>567,583</b>

**Governmental activities.** The most significant revenues of the governmental activities are general taxes (59%), which include property taxes (45%), franchise taxes (8%), and sales taxes (6%). Program revenues are 38% of the total revenues of the governmental activities, which include capital grants and contributions (31%), operating grants and contributions (5%), and charges for services (2%).

Public Safety expenses are the most significant (45%) of all governmental activities expenses, followed by General Government (30%) and Public Works (25%). Included in these amounts is depreciation expense, which is 17% of the total expenses for governmental activities.

**Business-type activities.** Business-type activities increased the City's net position by \$134,014. Charges for services increased \$6,692 (1%). Program expenses increased by \$68,530 (16%).

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of the end of the current fiscal year, the City's General Fund reported a total ending fund balance of \$610,850, an increase of \$73,378 in comparison with the prior year.

General Fund revenues were \$297,773 (\$108,474) more than in the prior fiscal year and expenditures were \$289,920, an increase of \$177,183 (157%).

**Proprietary funds:** The City's Utility Fund provides the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund's net position increased \$134,014 in the current fiscal year. The most significant factors of the changes in income from operations have previously been discussed in the government-wide financial analysis of business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget. General Fund revenues of \$297,773 exceeded budgeted revenues of \$192,875 by \$104,898 (54%).

The actual expenditures of \$289,920 were more than the appropriations of \$193,729 by \$96,191 (50%).

See Exhibits A-1 and A-2 in the Required Supplementary section for more detailed information about the 2017 budget.

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2017, the City had \$7,081,504 invested in capital assets, including land, buildings, roads, vehicles and equipment.

**CAPITAL ASSETS**

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
Land	52,810	52,810	472,565	472,565	525,375	525,375
Construction in Progress	25,276	-	-	-	25,276	-
Buildings and Improvements	96,764	96,764	-	-	96,764	96,764
Equipment and Vehicles	294,044	294,044	10,685	10,685	304,729	304,729
Infrastructure	305,098	181,262	-	-	305,098	181,262
Utility System	-	-	5,824,262	5,697,912	5,824,262	5,697,912
Subtotal	773,992	624,880	6,307,512	6,181,162	7,081,504	6,806,042
Accumulated depreciation	(500,220)	(471,366)	(1,371,619)	(1,237,120)	(1,871,839)	(1,708,486)
Capital assets, net	273,772	153,514	4,935,893	4,944,042	5,209,665	5,097,556

Debt Outstanding

At year-end, the City had \$1,610,000 in debt outstanding versus \$1,710,000 last year, a decrease of \$100,000. Debt obligations are paid by the Utility Fund.

**DEBT OUTSTANDING AT YEAR-END**

	Business-type		Increase (Decrease)
	2017	2016	
Combination Tax and Revenue			
Certificates of Obligation	1,610,000	1,710,000	(100,000)
Total	1,610,000	1,710,000	(100,000)

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Secretary at P.O. Box 309, Ingleside, Texas 78362.

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# BASIC FINANCIAL STATEMENTS

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**CITY OF INGLESIDE ON THE BAY, TEXAS**  
**GOVERNMENT - WIDE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Texpool Accounts	616,612	621,701	1,238,313
Receivables and Allowances:			
Accounts			
Accounts Receivable	1,262	-	1,262
Intergovernmental Receivables	-	72,000	72,000
Ad valorem Taxes (net)	5,764	-	5,764
Franchise Taxes	1,282	-	1,282
Water & Wastewater Billings	-	77,335	77,335
Allowance for Uncollectible Accounts	-	(2,000)	(2,000)
Internal Balances	(6,101)	6,101	-
Restricted Assets:			
Cash	-	33,990	33,990
Capital Assets:			
Land	52,810	472,565	525,375
Construction in Progress	25,276	-	25,276
Buildings and Improvements	96,764	-	96,764
Equipment	39,713	10,685	50,398
Water and Sewer System	-	5,824,262	5,824,262
Vehicles	254,331	-	254,331
Infrastructure	305,098	-	305,098
Accumulated Depreciation	(500,220)	(1,371,619)	(1,871,839)
<b>TOTAL ASSETS</b>	<b>892,591</b>	<b>5,745,021</b>	<b>6,637,612</b>
<b>LIABILITIES</b>			
Accounts Payable	2,205	7,146	9,351
Accrued Interest	-	4,528	4,528
Deposits	-	33,990	33,990
Noncurrent Liabilities:			
Due within one year	-	105,000	105,000
Due in more than one year	-	1,505,000	1,505,000
<b>TOTAL LIABILITIES</b>	<b>2,205</b>	<b>1,655,664</b>	<b>1,657,869</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	273,772	3,325,893	3,599,665
Restricted for: Debt Service	-	35,472	35,472
Unrestricted	616,614	727,992	1,344,606
<b>TOTAL NET POSITION</b>	<b>890,386</b>	<b>4,089,357</b>	<b>4,979,743</b>

See accompanying notes to basic financial statements.

**CITY OF INGLESIDE ON THE BAY, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	51,256	6,582	-	-
Public Safety	75,615	-	14,068	-
Public Works	42,569	-	-	92,701
Cultural and Recreational	222	-	-	-
Total Governmental Activities	<u>169,662</u>	<u>6,582</u>	<u>14,068</u>	<u>92,701</u>
Business-Type Activities:				
Water, Sewer and Sanitation	<u>501,809</u>	<u>556,676</u>	<u>72,000</u>	<u>70,125</u>
Total Business-Type Activities	<u>501,809</u>	<u>556,676</u>	<u>72,000</u>	<u>70,125</u>
Total Government	<u><u>671,471</u></u>	<u><u>563,258</u></u>	<u><u>86,068</u></u>	<u><u>162,826</u></u>

General Revenues:  
Taxes:  
    Ad Valorem  
    Sales  
    Franchise  
Investment Earnings  
Miscellaneous  
Transfers  
    Total General Revenues and Transfers  
Change in Net Position  
Net Position at Beginning of Year  
Net Position at End of Year

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(44,674)	-	(44,674)
(61,547)	-	(61,547)
50,132	-	50,132
(222)	-	(222)
(56,311)	-	(56,311)
-	196,992	196,992
-	196,992	196,992
(56,311)	196,992	140,681
133,879	-	133,879
17,665	-	17,665
24,699	-	24,699
2,135	2,547	4,682
7,349	-	7,349
65,525	(65,525)	-
251,252	(62,978)	188,274
194,941	134,014	328,955
695,445	3,955,343	4,650,788
890,386	4,089,357	4,979,743

CITY OF INGLESIDE ON THE BAY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

Exhibit 3

	<u>General</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash Accounts	616,612	616,612
Receivables (Net of Allowance for Uncollectable)		
Accounts Receivable	1,262	1,262
Ad Valorem Taxes	5,764	5,764
Franchise Taxes	<u>1,282</u>	<u>1,282</u>
<b>TOTAL ASSETS</b>	<u><u>624,921</u></u>	<u><u>624,921</u></u>
<b>LIABILITIES</b>		
Accounts Payable / Accrued Expenses	2,205	2,205
Due To Other Funds	<u>6,101</u>	<u>6,101</u>
<b>TOTAL LIABILITIES</b>	<u><u>8,307</u></u>	<u><u>8,307</u></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
<i>Unavailable Revenue - Property Taxes</i>	<u>5,764</u>	<u>5,764</u>
<b>Total Deferred Inflows of Resources</b>	<u><u>5,764</u></u>	<u><u>5,764</u></u>
<b>FUND BALANCE</b>		
Committed To:		
Volunteer Fire Department	12,500	12,500
Capital Improvements	135,000	135,000
Unassigned	<u>463,350</u>	<u>463,350</u>
<b>TOTAL FUND BALANCE</b>	<u><u>610,850</u></u>	<u><u>610,850</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>624,921</u></u>	<u><u>624,921</u></u>

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

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

Exhibit 3-R

Total fund balance - total governmental funds	610,850
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	273,772
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	5,764
Net position of governmental activities - statement of net position	<u>890,386</u>

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

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

Exhibit 4

	<u>General</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Property Taxes	132,574	132,574
Franchise Taxes	24,699	24,699
Sales Taxes	17,665	17,665
Licenses and Permits	6,582	6,582
Contributions	14,068	14,068
Interest	2,135	2,135
Intergovernmental	92,701	92,701
Other	<u>7,349</u>	<u>7,349</u>
<b>TOTAL REVENUES</b>	<u>297,773</u>	<u>297,773</u>
<b>EXPENDITURES</b>		
Current		
General Administration	49,234	49,234
Public Safety	56,601	56,601
Public Works	158,587	158,587
Cultural and Recreational	<u>25,498</u>	<u>25,498</u>
<b>TOTAL EXPENDITURES</b>	<u>289,920</u>	<u>289,920</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	7,853	7,853
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	<u>65,525.00</u>	<u>65,525.00</u>
<b>NET CHANGE IN FUND BALANCE</b>	73,378	73,378
<b>FUND BALANCE, beginning of year</b>	<u>537,472</u>	<u>537,472</u>
<b>FUND BALANCE, end of year</b>	<u><u>610,850</u></u>	<u><u>610,850</u></u>

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

**CITY OF INGLESIDE ON THE BAY, TEXAS**

Exhibit 4-R

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

Net change in fund balance - total governmental funds	73,378
Amounts reported for governmental activities in the statement of activities are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(28,854)
Capital outlays are not reported as expenses in the statement of activities.	149,112
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,305
Change in net position of governmental activities - statement of activities	<u>194,941</u>

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

**CITY OF INGLESIDE ON THE BAY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

Exhibit 5

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	621,701
Receivables and Allowances	
Accounts:	
Water and Wastewater Billings	77,335
Allowance for Uncollectible Accounts	(2,000)
Intergovernmental Receivables	72,000
Due from General Fund	<u>6,101</u>
Total Current Assets	<u>775,138</u>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	<u>33,990</u>
Capital Assets:	
Land	472,565
Water System	2,655,538
Sewer System	3,168,724
Equipment	<u>10,685</u>
Total Capital Assets	6,307,512
Less Accumulated Depreciation	<u>(1,371,619)</u>
Net Capital Assets	<u>4,935,893</u>
<b>TOTAL ASSETS</b>	<u>5,745,021</u>

**CITY OF INGLESIDE ON THE BAY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

Exhibit 5  
continued

	Business-Type Activities Enterprise Fund <u>Utility Fund</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	7,146
Accrued Interest	4,528
Customer Meter Deposits	33,990
Current Portion of Bonds Payable	<u>105,000</u>
Total Current Liabilities	<u>150,664</u>
<b>Long-Term Liabilities</b>	
Bonds Payable	<u>1,505,000</u>
Total Long-Term Liabilities	<u>1,505,000</u>
Total Liabilities	<u>1,655,664</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,325,893
Restricted for: Debt Service	35,472
Unrestricted	<u>727,992</u>
Net Position	<u>4,089,357</u>

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

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

Exhibit 6

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
OPERATING REVENUES	
Charges for Services	545,463
Other Fees and Charges	11,213
Total Operating Revenues	<u>556,676</u>
OPERATING EXPENSES	
Personnel Costs	46,600
Maintenance	32,559
Other Operating Expenses	48,673
Water Purchased	96,613
Sewer	32,724
Sanitation	70,938
EMS	1,053
Depreciation	<u>134,499</u>
Total Operating Expenses	<u>463,659</u>
Net Operating Income	<u>93,017</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	2,547
Interest and Fiscal Charges	(38,150)
Intergovernmental Grant - Utility System Improvements	70,125
Intergovernmental Grant - FEMA Reimbursements	<u>72,000</u>
Net Non-Operating Revenues (Expenses)	<u>106,522</u>
Income Before Transfers	199,539
Transfers Out	<u>(65,525)</u>
Change in Net Position	134,014
NET POSITION BEGINNING OF YEAR	<u>3,955,343</u>
NET POSITION END OF YEAR	<u><u>4,089,357</u></u>

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

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

Exhibit 7

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
Cash flow from operating activities:	
Cash received from customers	549,252
Cash payments to suppliers for goods and services	(290,907)
Cash payments to employees for services	(46,600)
Net cash provided by operating activities	<u>211,745</u>
Cash flows from noncapital financing activities:	
Transfer to Other Funds	(65,525)
Net Change in Interfund Loans	(3,603)
Net Cash Used for Financing Activities	<u>(69,128)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Payment on bonds	(100,000)
Interest and Fiscal Charges Paid	(38,151)
Grants for Utility System Improvements	70,125
Purchase of Capital Assets	(126,350)
Net Cash Used for Capital and Related Financing Activities	<u>(194,376)</u>
Cash Flows from Investing Activities - Interest Income	<u>2,547</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(49,212)
Cash and Cash Equivalents at Beginning of Year	<u>704,903</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>655,691</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	93,017
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	134,499
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(10,128)
Increase (Decrease) in Accounts Payable	(8,735)
Increase (Decrease) in Accrued Liabilities	(281)
Increase (Decrease) in Customer Deposits	3,373
Net Cash Provided by Operating Activities	<u>211,745</u>

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

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## CITY OF INGLESIDE ON THE BAY, TEXAS

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of Ingleside On The Bay (the City) was incorporated on November 5, 1991 as a Texas Class A General Law City. The City operates under a Mayor-Aldermen form of government and provides the garbage, water, and sewer services to its residents. The City is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," and there are no component units included within the reporting entity.

The financial statements of the City 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.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. However, any interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and inter-governmental 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Currently, the City has only two funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

#### General Fund-

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

## CITY OF INGLESIDE ON THE BAY, TEXAS

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

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

#### Utility Fund-

The Utility Fund is used to account for the provision of water, sewer and garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

## CITY OF INGLESIDE ON THE BAY, TEXAS

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

#### D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the City's accounting system. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditure or liabilities until the commitments are honored by inclusion in the subsequent year's budget. There are no significant encumbrances outstanding at September 30, 2017.

#### E. Cash and Investments

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The City has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the City's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

For purposes of the statement of cash flows, the enterprise fund considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

#### F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

#### G. Inventories

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. At September 30, 2017, there was no inventory carried in the Utility Fund.

#### H. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

#### I. Transactions Between Funds

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

**CITY OF INGLESIDE ON THE BAY, TEXAS**

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

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 Years
Water and Sewer System	25-50 Years
Infrastructure	15 Years
Machinery and Equipment	5-10 Years
Vehicles	5-10 Years

K. Compensated Absences

In proprietary fund types, accumulated unpaid compensated absences are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred. The liability in the governmental fund types is recorded only in the Government-wide Financial Statements. At September 30, 2017, the City did not have any liability for compensated absences.

L. Net Position and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net assets invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net position is considered unrestricted.

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget.

## CITY OF INGLESIDE ON THE BAY, TEXAS

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

Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

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

#### M. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. CASH AND INVESTMENTS

### Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas 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. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**CITY OF INGLESIDE ON THE BAY, TEXAS**

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

A. Cash Deposits:

At September 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,272,303 and the bank balance was \$1,336,022. The City's cash deposits at September 30, 2017 and during the period ended September 30, 2017, were covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

B. Investments:

As of September 30, 2017, the City did not have any investments.

Interest Rate Risk – In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The City does not have a credit risk.

Concentration of Credit Risk – The City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

3. CAPITAL ASSETS

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

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities:				
Capital assets, not being depreciated				
Land	52,810	-	-	52,810
Construction In Progress	-	25,276	-	25,276
Total capital assets, not being depreciated	52,810	25,276	-	78,086
Capital assets, being depreciated				
Building and Improvements	96,764	-	-	96,764
Equipment	39,713	-	-	39,713
Vehicles	254,331	-	-	254,331
Infrastructure	181,262	123,836	-	305,098
Total capital assets, being depreciated	572,070	123,836	-	695,906
Less accumulated depreciation for:				
Buildings and Improvements	(57,970)	(4,429)	-	(62,399)
Equipment	(35,583)	(1,719)	-	(37,302)
Vehicles	(237,035)	(17,296)	-	(254,331)
Infrastructure	(140,778)	(5,411)	-	(146,189)
Total accumulated depreciation	(471,366)	(28,854)	-	(500,220)
Total capital assets, being depreciated, net	100,704	94,982	-	195,686
Governmental activities capital assets, net	153,514	120,258	-	273,772

**CITY OF INGLESIDE ON THE BAY, TEXAS**

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

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Business-type Activities				
Capital assets, not being depreciated				
Land	472,565	-	-	472,565
Capital assets, being depreciated				
Water System	2,649,438	-	-	2,649,438
Sewer System	3,048,474	126,350	-	3,174,824
Equipment	10,685	-	-	10,685
Total capital assets, being depreciated	5,708,597	126,350	-	5,834,947
Less accumulated depreciation for:				
Water System	(492,950)	(71,481)	-	(564,431)
Sewer System	(733,485)	(63,018)	-	(796,503)
Equipment	(10,685)	-	-	(10,685)
Total accumulated depreciation	(1,237,120)	(134,499)	-	(1,371,619)
Total capital assets, being depreciated, net	4,471,477	(8,149)	-	4,463,328
Business-type activities capital assets, net	4,471,477	(8,149)	-	4,935,893

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

Governmental activities:	
General government and administration	2,022
Public Safety	19,014
Public Works	7,818
Total depreciation expense - Governmental activities	<u>28,854</u>
Business-type activities:	
Water	71,481
Sewer	63,018
Total depreciation expense - Business-type activities	<u>134,499</u>

**CITY OF INGLESIDE ON THE BAY, TEXAS**

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

4. LONG-TERM DEBT

At September 30, 2017, bonds payable consisted of the following individual issues:

	<u>Business-Type</u>
Combination Tax and Revenue Certificates of Obligation, Series 2013, due in annual installments through August 15, 2033, bearing initial interest rates of 2.25% (Original Debt \$2,000,000)	
Total long-term debt	<u>1,610,000</u>

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2017:

<u>Business-Type Activities</u>	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Combination Tax and Revenue Certificates of Obligation	1,710,000	-	100,000	1,610,000	105,000
Total Government	<u>1,710,000</u>	<u>-</u>	<u>100,000</u>	<u>1,610,000</u>	<u>105,000</u>

The annual requirements for long-term debt for years subsequent to September 30, 2017, are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Business-Type Activities</u>		
	<u>Combination Tax and Revenue Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	105,000	36,225	141,225
2019	75,000	65,467	140,467
2020	75,000	62,205	137,205
2021	80,000	58,943	138,943
2022	85,000	55,463	140,463
2023-2027	475,000	219,675	694,675
2028-2032	580,000	106,792	686,792
2033	260,000	5,873	140,873
Total	<u>1,610,000</u>	<u>610,643</u>	<u>2,220,643</u>

RESTRICTED CASH AND CASH EQUIVALENTS - UTILITY FUND

The components of restricted cash and cash equivalents as of September 30, 2017 are as follows:

Customer Deposits	<u>33,990</u>
Total Restricted Cash and Cash Equivalents	<u>33,990</u>

**CITY OF INGLESIDE ON THE BAY, TEXAS**

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

Payments of Certificates of Obligation

For Business-Type Activities, the debt for the Combination Tax and Revenue Certificates of Obligation is paid by the Utility Fund. Although the City is authorized to levy and collect ad valorem taxes sufficient to pay the principal and interest coming due each fiscal year, the City intends to make the annual debt payments from surplus revenues of the Utility Fund and not levy ad valorem taxes to pay the debt.

Defeased Bonds Outstanding-

At September 30, 2017 there was no outstanding principal of defeased bonds.

Authorized but Not Issued Debt-None

5. INTERFUND TRANSACTIONS AND BALANCES

There were no interfund transfers during the year ended September 30, 2017.

Interfund receivables and payables at September 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility Fund	General Fund	<u>6,101</u>

The inter-fund balance at September 30, 2017 is for a short-term loan to cover temporary cash flows and reimbursements.

6. PROPERTY TAXES

Property Taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraised value of property as listed on the previous January 1. Appraised values are determined by the San Patricio County Appraisal District; approved by the San Patricio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. The city does not offer a discount for early payment of taxes. The City's taxes are billed and collected by the San Patricio County Tax Assessor/Collector. Ad valorem taxes of \$133,184 were assessed on property values totaling \$74,426,025 using a tax rate of \$0.178889 for general operations per \$100 assessed valuation.

7. PENSION PLAN

The City does not provide pension benefits for its employees.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for its risk management by purchasing commercial insurance.

## CITY OF INGLESIDE ON THE BAY, TEXAS

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

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

#### 9. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of the City Attorney and management, there is no threatened or pending litigation which would have a material effect on the City's financial affairs.

#### 10. OTHER DISCLOSURES

In the General Fund, expenditures exceeded budgeted appropriations in Public Works and Culture and Recreation, due respectively, to road improvements and facility construction. However, the City had received funding to fully cover the expenditures.

#### 11. HURRICANE HARVEY

The City experienced a natural disaster on August 25, 2017, resulting from Hurricane Harvey, which resulted in damage to portions of San Patricio County, with Aransas Pass and Ingleside receiving the most substantial damage. Damaged property included residential and commercial properties, as well as numerous City-owned facilities. The estimate of the total damage to the City-owned facilities is approximately \$80,000. The City estimates a total projected reimbursement from FEMA of \$72,000.

On August 23, 2017, in anticipation of Hurricane Harvey's landfall, Texas Governor Greg Abbott issued a proclamation declaring a state of disaster in numerous counties along the Texas gulf coast, including San Patricio County. The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the Governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. The City is not bound by a reappraisal of property that is authorized by another taxing unit and not authorized by the City. In addition, the Texas Tax Code permits taxpayers owning homes or certain businesses damaged by a declared disaster to pay taxes imposed in the year following the disaster in four equal installments, commencing on February 1 and ending on August 1.

Any determination of assessed value will be made by the San Patricio County Appraisal District based on the market value of such homes and commercial improvements as of January 1, 2018, which market value will be affected by, among other things, the extent to which any damage has been incurred and the extent to which it has been repaired. Further, there is no assurance that a casualty loss will be covered by insurance. Flood casualties are usually exempted from coverage unless specific flood insurance is purchased. The City cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds.

Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within San Patricio County would be adversely affected. Finally, it is not known at this time what impact the effects of Hurricane Harvey will have generally upon the value of homes and commercial improvements that did not sustain damage.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF INGLESIDE ON THE BAY, TEXAS**

Exhibit A-1

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	2017			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Property Taxes	133,500	133,500	132,574	(926)
Franchise Taxes	26,000	26,000	24,699	(1,301)
Sales Taxes	18,000	18,000	17,665	(335)
Licenses and Permits	6,500	6,500	6,582	82
Contributions	2,050	2,050	14,068	12,018
Intergovernmental	5,000	5,000	92,701	87,701
Interest	150	150	2,135	1,985
Other	1,675	1,675	7,349	5,674
<b>Total Revenues</b>	<u>192,875</u>	<u>192,875</u>	<u>297,773</u>	<u>104,898</u>
<b>EXPENDITURES</b>				
Current				
General Administration	60,009	60,009	49,234	10,775
Public Safety	61,420	61,420	56,601	4,819
Public Works	71,800	71,800	158,587	(86,787)
Culture and Recreation	500	500	25,498	(24,998)
<b>Total Expenditures</b>	<u>193,729</u>	<u>193,729</u>	<u>289,920</u>	<u>(96,191)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(854)	(854)	7,853	8,707
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From (To) Other Funds	-	-	65,525	65,525
<b>NET CHANGE IN FUND BALANCE</b>	<u>(854)</u>	<u>(854)</u>	<u>73,378</u>	<u>74,232</u>
<b>FUND BALANCE, beginning of year</b>			537,472	
<b>FUND BALANCE, end of year</b>			<u>610,850</u>	

See accompanying notes to required supplementary information.

**CITY OF INGLESIDE ON THE BAY, TEXAS****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017****BUDGETARY DATA**

An annual budget is legally adopted on a GAAP basis for the General Fund. There were no budget amendments during the 2016-2017 fiscal year. Budgeted amounts reported in the 2016-2017 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to August 6<sup>th</sup> each year, a proposed budget is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 20<sup>th</sup>.
4. The tax rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.

## OTHER SUPPLEMENTARY INFORMATION

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CITY OF INGLESIDE ON THE BAY, TEXAS

Exhibit B

UTILITY FUND

SCHEDULE OF OPERATING REVENUES AND EXPENSES - BY DEPARTMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges For Services			
Water Sales	335,653	-	335,653
Sewer Sales	-	123,270	123,270
Water Taps	3,000	-	3,000
Sewer Taps	-	500	500
Garbage	83,010	-	83,010
EMS	1,120	-	1,120
Other	10,123	-	10,123
	<u>432,906</u>	<u>123,770</u>	<u>556,676</u>
Total Operating Revenue			
<b>OPERATING EXPENSES</b>			
Personnel Costs	36,432	10,168	46,600
Maintenance	-	32,559	32,559
Other Operating Expenses	28,195	20,478	48,673
Water Purchased	96,613	-	96,613
Sewer	-	32,724	32,724
Sanitation	70,938	-	70,938
EMS	1,053	-	1,053
Depreciation	71,481	63,018	134,499
	<u>304,712</u>	<u>158,947</u>	<u>463,659</u>
Total Operating Expenses			
<b>NET OPERATING INCOME (LOSS)</b>	<u><u>128,194</u></u>	<u><u>(35,177)</u></u>	<u><u>93,017</u></u>

**CITY OF INGLESIDE ON THE BAY, TEXAS**  
*SCHEDULE OF INSURANCE POLICIES IN FORCE*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

Exhibit C

<b>Type of Insurance</b>	<b>Insurer</b>	<b>Coverage</b>	<b>Expiration Date</b>
General Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$1,000,000 Aggregate	10/01/17
Law Enforcement Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$1,000,000 Aggregate	10/01/17
Errors & Omissions Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$1,000,000 Aggregate	10/01/17
Automobile Liability	TML Intergovernmental Risk Pool	\$500,000 each occurrence \$25,000 each person	10/01/17
Real & Personal Property	TML Intergovernmental Risk Pool	\$706,126 limit of coverage	10/01/17
Windstorm & Hail	Texas Windstorm Ins. Association	\$419,894 limit of coverage	06/14/18