



Communication with Those Charged with Governance

To Management, Mayor and City Council of
City of Shavano Park

We have audited the financial statements of City of Shavano Park as of and for the year ended September 30, 2017, and have issued our report thereon dated January 8, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 31, 2017, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Shavano Park solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Shavano Park is included in Note A to the financial statements. There were no new accounting policies adopted and no changes in significant accounting policies or their application during 2017 except for the following:

Franchise fee revenue, previously reported as revenue when received by the City, is now reported when the underlying transaction occurs. This change had a minor impact on franchise fee revenue (\$4,781 increase), but did result in a receivable of \$123,578 as of September 30, 2017. A prior period adjustment was recorded to reflect the impact on prior periods.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

1. Useful lives of depreciable assets
2. Allowance for uncollectible property tax and utility receivables
3. Net Pension Liability assumptions for mortality rates and investment returns

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting City of Shavano Park's financial statements.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Representations Requested from Management

We have requested certain written representations from management in a separate letter dated January 8, 2018.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Shavano Park's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units. However, we did assist management in recording routine adjustments for debt issuances, depreciation and pension liabilities.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Shavano Park, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Shavano Park's auditors.

During audit procedures, we became aware of the following opportunity for improvement.

Pooled Cash

Pooled cash is a common governmental practice of utilizing one account at the bank to serve as a common disbursement account for all funds. The City's financial software is designed to handle pooled cash and track each fund's portion of that pooled account separately as if it were its own account at the bank. In addition, the Finance Director has experience with pooled cash. However, as of September 30, 2017, the City had 12 checking accounts with over \$5.5 million in deposits. Pooled cash has many advantages:

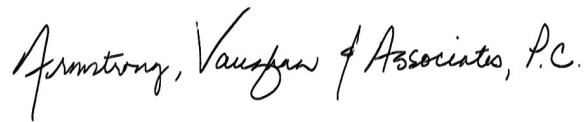
- Reduces the number of monthly bank reconciliations
- Ability to write checks across funds (such as utilities)
- Reduces the amount of bank transfers needed for reimbursements between funds
- Simplifies monitoring of pledged collateral balances
- Simplifies the daily deposit process

But, most importantly for the City, it reduces the amount of idle cash that must be held in checking accounts. A higher percentage of the City's funds may be invested. Consider implementing pooled cash.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Mayor, City Council and management of City of Shavano Park and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, PC
January 8, 2018



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2017**



CITY OF SHAVANO PARK
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CITY OF SHAVANO PARK

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

BOB WERNER

CITY COUNCIL

MICHELE BUNTING ROSS

MARY ANN HISEL

BOB HEINTZELMAN

MIKE SIMPSON

MIKE COLEMERE

CITY MANAGER

BILL HILL





INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Shavano Park, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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, each major fund, and the aggregate remaining fund information of City of Shavano Park, 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.

Emphasis of Matter

As discussed in Note A20 to the financial statements, the City changed its accounting policy for the recognition of revenue from franchise fees, resulting in a prior period adjustment. Our opinion is not modified with respect to this matter.

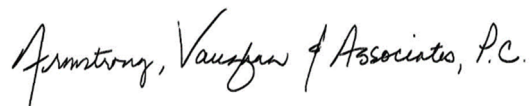
Other Matters

Required Supplementary Information

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

Other Information

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



Armstrong, Vaughan & Associates, P.C.

January 8, 2018



MANAGEMENT’S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

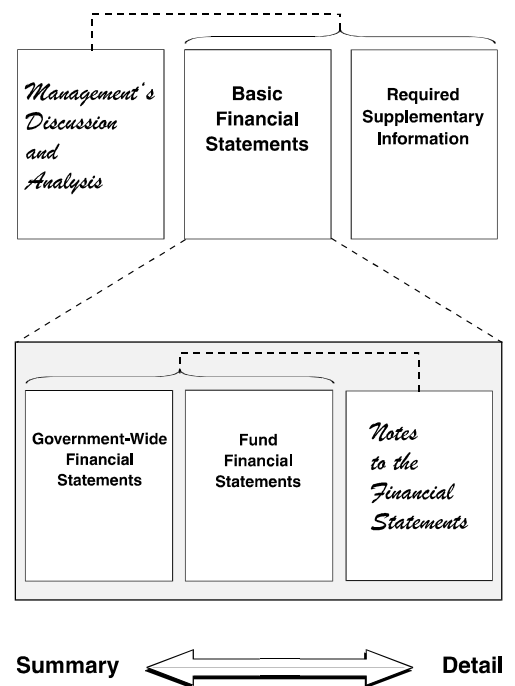
- The City’s total combined net position was \$14.1 million at September 30, 2017.
- The City’s governmental expenses were \$571 thousand less than the \$5.6 million generated in general and program revenues for governmental activities, including transfers. The total cost of the City’s governmental programs increased 14% from the prior year. The increase was largely due to capital purchases and salary increases as a result of a wage study.
- The City’s business-type expenses (including transfers) were \$316 thousand more than the \$965 thousand generated in charges for services and other revenues. The total cost of the City’s business-type activities increased 27% from the prior year, primarily because of increased maintenance on Trinity well.
- The general fund reported a fund balance this year of \$3.1 million, an increase of \$515 thousand.
- 2017 refunding bonds were issued this year for \$1.925 million for gross savings of \$306 thousand and present value savings of \$235 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the town that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: water utility
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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

Government-Wide Statements

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

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

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

- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general administration, police, and fire. Property, franchise and sales taxes finance most of these activities.

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$14.1 million at September 30, 2017. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016*	2017	2016	2017	2016	
<i>Assets:</i>							
Current Assets	\$ 8,391,591	\$ 7,890,320	\$ 1,097,422	\$ 1,460,396	\$ 9,489,013	\$ 9,350,716	1.5
Capital Assets (net)	4,824,097	4,784,148	4,754,204	4,692,224	9,578,301	9,476,372	1.1
<i>Total Assets</i>	<u>13,215,688</u>	<u>12,674,468</u>	<u>5,851,626</u>	<u>6,152,620</u>	<u>19,067,314</u>	<u>18,827,088</u>	1.3
<i>Deferred Outflows:</i>	<u>628,172</u>	<u>638,449</u>	<u>176,412</u>	<u>64,682</u>	<u>804,584</u>	<u>703,131</u>	14.4
<i>Liabilities:</i>							
Current Liabilities	628,890	623,325	237,638	183,548	866,528	806,873	7.4
Long-Term Liabilities	2,386,965	2,416,688	2,511,666	2,437,578	4,898,631	4,854,266	0.9
<i>Total Liabilities</i>	<u>3,015,855</u>	<u>3,040,013</u>	<u>2,749,304</u>	<u>2,621,126</u>	<u>5,765,159</u>	<u>5,661,139</u>	1.8
<i>Deferred Inflows:</i>	<u>14,905</u>	<u>30,615</u>	<u>952</u>	<u>1,930</u>	<u>15,857</u>	<u>32,545</u>	(51.3)
<i>Net Position:</i>							
Invested in Capital Assets	3,465,301	3,143,512	2,321,247	2,217,860	5,786,548	5,361,372	7.9
Restricted	1,428,027	1,452,551	-	-	1,428,027	1,452,551	(1.7)
Unrestricted	5,919,772	5,646,226	956,535	1,376,386	6,876,307	7,022,612	(2.1)
<i>Total Net Position</i>	<u>\$ 10,813,100</u>	<u>\$ 10,242,289</u>	<u>\$ 3,277,782</u>	<u>\$ 3,594,246</u>	<u>\$ 14,090,882</u>	<u>\$ 13,836,535</u>	1.8

*2016 has been restated to reflect the result of a prior period adjustment. See Note O.

Governmental Activities

- Property tax rates remained the same for the fiscal year ending September 30, 2017, but increasing valuations increased property tax revenues \$281 thousand.

Business-Type Activities

- Expenses increased because of continued maintenance on the Trinity Well.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	
<i>Program Revenues:</i>							
Charges for Services	\$ 1,123,738	\$ 915,627	\$ 912,267	\$ 841,804	\$ 2,036,005	\$ 1,757,431	15.9
Operating Grants and Contributions	24,894	25,367	-	-	24,894	25,367	(1.9)
Capital Contributions	-	-	-	-	-	-	0.0
<i>General Revenues:</i>							
Taxes	4,309,210	3,940,689	-	-	4,309,210	3,940,689	9.4
Interest Earnings	36,477	10,875	6,848	8,935	43,325	19,810	118.7
Miscellaneous	48,441	21,108	45,707	-	94,148	21,108	346.0
TOTAL REVENUES	5,542,760	4,913,666	964,822	850,739	6,507,582	5,764,405	12.9
<i>Program Expenses:</i>							
Council	29,388	28,949	-	-	29,388	28,949	1.5
General Administration	875,941	901,822	-	-	875,941	901,822	(2.9)
Municipal Court	78,627	69,416	-	-	78,627	69,416	13.3
Public Works	497,040	419,425	-	-	497,040	419,425	18.5
Fire	1,677,497	1,455,848	-	-	1,677,497	1,455,848	15.2
Police	1,721,096	1,373,180	-	-	1,721,096	1,373,180	25.3
Development Services	98,089	99,671	-	-	98,089	99,671	(1.6)
Water Utility	-	-	1,201,974	972,747	1,201,974	972,747	23.6
Interest on Debt	73,583	79,085	-	-	73,583	79,085	(7.0)
TOTAL EXPENSES	5,051,261	4,427,396	1,201,974	972,747	6,253,235	5,400,143	15.8
Transfers	79,312	22,050	(79,312)	(22,050)	-	-	0.0
Change in Net Position	\$ 570,811	\$ 508,320	\$ (316,464)	\$ (144,058)	\$ 254,347	\$ 364,262	30.2

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. The cost of all *governmental* activities this year was \$5.0 million. Taxpayers paid for 62% of these activities through property taxes of \$3.2 million. 22% of the cost was paid by those who directly benefited from the programs.

Table A-3
Net Cost of Selected City Functions

	Total Cost of			Net Cost of		
	Services		Percentage	Services		Percentage
	2017	2016	Change	2017	2016	Change
Council	\$ 29,388	\$ 28,949	1.5	\$ 29,388	\$ 28,949	1.5
General Administration	875,941	901,822	(2.9)	728,452	832,034	(12.4)
Municipal Court	78,627	69,416	13.3	(152,057)	(141,717)	7.3
Public Works	497,040	419,425	18.5	497,040	419,425	18.5
Fire	1,677,497	1,455,848	15.2	1,525,802	1,347,809	13.2
Police	1,721,096	1,373,180	25.3	1,714,388	1,362,302	25.8
Development Services	98,089	99,671	(1.6)	(513,967)	(441,485)	16.4
Water Utility	1,201,974	972,747	23.6	289,707	130,943	121.2

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General fund increased its fund balance by \$515 thousand primarily from higher than anticipated permit revenues and cost savings in police and fire departments.
- The Capital Replacement Fund decreased \$39 thousand after supporting general fund capital outlay.
- Other nonmajor governmental funds were largely unchanged.

Budgetary Highlights

- General Fund revenues exceeded the budget by \$321 thousand and expenditures were under budget by \$210 thousand.
- The General Fund balance increased \$515 thousand more than the balanced budget anticipated.

CAPITAL ASSETS

As of September 30, 2017, the City had invested \$17.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions include an EMS vehicle and SCADA upgrade of the water system. (See Table A-4.) More detailed information about the City's capital assets is presented in the notes to the financial statements.

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

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2017	2016	2017	2016	2017	2016	Change
Land	\$ 112	\$ 112	\$ 30	\$ 30	\$ 142	\$ 142	0.0
Water Rights	-	-	303	303	303	303	0.0
Buildings and Improvements	3,678	3,651	102	91	3,780	3,742	1.0
Infrastructure	2,771	2,771	7,238	6,973	10,009	9,744	2.7
Equipment	3,272	2,918	321	481	3,593	3,399	5.7
Totals at Historical Cost	9,833	9,452	7,994	7,878	17,827	17,330	2.9
Total Accumulated Depreciation	(5,009)	(4,667)	(3,240)	(3,185)	(8,249)	(7,852)	5.1
Net Capital Assets	<u>\$ 4,824</u>	<u>\$ 4,785</u>	<u>\$ 4,754</u>	<u>\$ 4,693</u>	<u>\$ 9,578</u>	<u>\$ 9,478</u>	1.1

LONG-TERM DEBT

The City had debt as summarized in Table A-5. Refunding bonds were issued in 2017. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Bonds Payable	\$ 1,502	\$ 1,641	\$ 2,570	\$ 2,474	\$ 4,072	\$ 4,115	(1.0)
Total Long-Term Debt	<u>\$ 1,502</u>	<u>\$ 1,641</u>	<u>\$ 2,570</u>	<u>\$ 2,474</u>	<u>\$ 4,072</u>	<u>\$ 4,115</u>	<u>(1.0)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The adopted the same property tax rate for 2017-2018. However, increasing property values are expected to cover the majority of the increases in General Fund expenditures to \$5.6 million, including two new police officers, health insurance increases and fully funding the Capital Replacement Fund. Most other General Fund expenditures are expected to remain largely the same. The Water Fund revenues are expected to continue to decline, but significant repairs and capital items from the past couple of years are not expected to continue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors 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 additional financial information, contact the City Manager at 900 Saddletree Court, Shavano Park, Texas 78231.

BASIC FINANCIAL STATEMENTS

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

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

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



CITY OF SHAVANO PARK
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 7,164,925	\$ 698,134	\$ 7,863,059
Investments	744,462	248,243	992,705
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	22,651	-	22,651
Other	463,062	117,616	580,678
Prepaid Expenses	-	600	600
Inventory	-	29,320	29,320
Internal Balances	(3,509)	3,509	-
Capital Assets (net)	4,824,097	4,754,204	9,578,301
TOTAL ASSETS	<u>13,215,688</u>	<u>5,851,626</u>	<u>19,067,314</u>
DEFERRED OUTFLOWS			
Deferred Loss on Debt Refundings	87,184	136,962	224,146
Deferred Pension Related Outflows	540,988	39,450	580,438
TOTAL DEFERRED OUTFLOWS	<u>628,172</u>	<u>176,412</u>	<u>804,584</u>
LIABILITIES			
Accounts Payable	179,223	89,813	269,036
Accrued Wages	104,860	3,793	108,653
Accrued Compensated Absences	194,100	440	194,540
Accrued Interest	7,697	10,910	18,607
Deposits and Unearned Revenue	-	18,200	18,200
Current Portion of Long-term Debt	143,010	114,482	257,492
<i>Noncurrent Liabilities:</i>			
Long-term Debt Net of Current Portion	1,358,588	2,455,437	3,814,025
Net Pension Liability	1,028,377	56,229	1,084,606
TOTAL LIABILITIES	<u>3,015,855</u>	<u>2,749,304</u>	<u>5,765,159</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	14,905	952	15,857
TOTAL DEFERRED INFLOWS	<u>14,905</u>	<u>952</u>	<u>15,857</u>
NET POSITION			
Net Investment in Capital Assets	3,465,301	2,321,247	5,786,548
Restricted for:			
Debt Service	269,314	-	269,314
Police Department	695,682	-	695,682
Municipal Court	57,589	-	57,589
Street Maintenance	301,292	-	301,292
PEG Funds	104,150	-	104,150
Unrestricted	5,919,772	956,535	6,876,307
TOTAL NET POSITION	<u>\$ 10,813,100</u>	<u>\$ 3,277,782</u>	<u>\$ 14,090,882</u>

See accompanying notes to basic financial statements.

CITY OF SHAVANO PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Council	\$ 29,388	\$ -	\$ -	\$ -
General Administration	875,941	132,828	14,661	-
Municipal Court	78,627	230,684	-	-
Public Works	497,040	-	-	-
Fire	1,677,497	143,280	8,415	-
Police	1,721,096	4,890	1,818	-
Development Services	98,089	612,056	-	-
Interest on Long-term Debt	73,583	-	-	-
Total Governmental Activities	5,051,261	1,123,738	24,894	-
Business-Type Activities:				
Water Utility	1,201,974	912,267	-	-
Total Business-Type Activities	1,201,974	912,267	-	-
Total Primary Government	\$ 6,253,235	\$ 2,036,005	\$ 24,894	\$ -
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (29,388)		\$ (29,388)
(728,452)		(728,452)
152,057		152,057
(497,040)		(497,040)
(1,525,802)		(1,525,802)
(1,714,388)		(1,714,388)
513,967		513,967
(73,583)		(73,583)
<u>(3,902,629)</u>		<u>(3,902,629)</u>
	\$ (289,707)	(289,707)
	<u>(289,707)</u>	<u>(289,707)</u>
		<u>(4,192,336)</u>
3,165,511	-	3,165,511
655,502	-	655,502
488,197	-	488,197
36,477	6,848	43,325
48,441	45,707	94,148
<u>4,394,128</u>	<u>52,555</u>	<u>4,446,683</u>
<u>79,312</u>	<u>(79,312)</u>	<u>-</u>
570,811	(316,464)	254,347
10,123,493	3,594,246	13,717,739
118,796	-	118,796
<u>\$ 10,813,100</u>	<u>\$ 3,277,782</u>	<u>\$ 14,090,882</u>

CITY OF SHAVANO PARK
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Major Fund General Fund	Major Fund Capital Replacement	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,818,116	\$ 3,292,743	\$ 1,054,066	\$ 7,164,925
Investments	744,462	-	-	744,462
Receivables (net of allowances for uncollectibles):				
Property Taxes	20,865	-	1,786	22,651
Other Receivables	429,770	-	33,293	463,063
Due from Other Funds	18,411	-	418,591	437,002
TOTAL ASSETS	\$ 4,031,624	\$ 3,292,743	\$ 1,507,736	\$ 8,832,103
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 178,454	\$ -	\$ 769	\$ 179,223
Accrued Wages	104,860	-	-	104,860
Due to Other Funds	422,100	17,500	911	440,511
<i>Total Liabilities</i>	<u>705,414</u>	<u>17,500</u>	<u>1,680</u>	<u>724,594</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	20,865	-	1,786	22,651
Unavailable Warrant Revenue	195,096	-	-	195,096
Unavailable EMS Revenue	38,130	-	-	38,130
<i>Total Deferred Inflows of Resources</i>	<u>254,091</u>	<u>-</u>	<u>1,786</u>	<u>255,877</u>
<i>Fund Balances:</i>				
Restricted for:				
Debt Service	-	-	275,225	275,225
Police Department	-	-	695,682	695,682
Municipal Court	-	-	57,589	57,589
Street Maintenance	-	-	301,292	301,292
PEG Funds	-	-	104,150	104,150
Committed for:				
Oak Wilt	-	-	70,332	70,332
Replacement of Capital Assets	-	3,275,243	-	3,275,243
Unassigned	3,072,119	-	-	3,072,119
<i>Total Fund Balances</i>	<u>3,072,119</u>	<u>3,275,243</u>	<u>1,504,270</u>	<u>7,851,632</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,031,624	\$ 3,292,743	\$ 1,507,736	\$ 8,832,103

See accompanying notes to basic financial statements.

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 7,851,632
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,824,097
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		255,876
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Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(194,100)
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Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, not reported in the funds.		(1,422,111)
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Net pension liabilities (and related deferred outflows of resources) do not consume current financial resources and are not reported in the funds.

Net Pension Liability	(1,028,377)	
Pension Related Deferred Outflows	540,988	
Pension Related Deferred Inflows	(14,905)	(502,294)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 10,813,100</u>
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CITY OF SHAVANO PARK
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Capital Replacement	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Ad Valorem Taxes	\$ 2,989,753	\$ -	\$ 172,958	\$ 3,162,711
Sales Taxes	436,447	-	219,056	655,503
Mixed Beverage Tax	19,230	-	-	19,230
Franchise Fees	453,756	-	15,212	468,968
Licenses and Permits	598,356	-	13,700	612,056
Emergency Medical Services	111,170	-	-	111,170
Fines and Penalties	191,327	-	8,366	199,693
Interest Income	22,194	10,117	4,171	36,482
Miscellaneous	182,758	-	5,050	187,808
TOTAL REVENUES	<u>5,004,991</u>	<u>10,117</u>	<u>438,513</u>	<u>5,453,621</u>
EXPENDITURES				
<i>Current:</i>				
Council	29,388	-	-	29,388
General Administration	727,064	-	-	727,064
Municipal Court	75,504	-	-	75,504
Public Works	462,956	-	-	462,956
Fire	1,484,715	-	1,182	1,485,897
Police	1,483,552	-	13,536	1,497,088
Development Services	98,089	-	-	98,089
Capital Outlay	505,956	-	-	505,956
<i>Debt Service:</i>				
Principal	-	-	139,038	139,038
Interest and Fiscal Charges	-	-	64,307	64,307
TOTAL EXPENDITURES	<u>4,867,224</u>	<u>-</u>	<u>218,063</u>	<u>5,085,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	137,767	10,117	220,450	368,334
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	23,245	-	-	23,245
Transfers In	605,295	251,032	-	856,327
Transfers Out	(251,032)	(300,620)	(225,363)	(777,015)
TOTAL OTHER FINANCING SOURCES (USES)	<u>377,508</u>	<u>(49,588)</u>	<u>(225,363)</u>	<u>102,557</u>
Net Change in Fund Balance	515,275	(39,471)	(4,913)	470,891
Fund Balances at Beginning of Year	2,438,048	3,314,714	1,509,183	7,261,945
Prior Period Adjustment	118,796	-	-	118,796
Fund Balances at End of Year	<u>\$ 3,072,119</u>	<u>\$ 3,275,243</u>	<u>\$ 1,504,270</u>	<u>\$ 7,851,632</u>

See accompanying notes to basic financial statements.

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	470,891
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.		39,949
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		65,900
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Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities, the cost of these plans are recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded (fell short of) the actuarially determined plan expenses.		(97,447)
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The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments		139,038
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences	(38,241)		
Change in Deferred Loss on Refunding	(10,408)		
Change in Accrued Interest	1,129		(47,520)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	570,811
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CITY OF SHAVANO PARK
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2017

	<u>Water Utility</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 698,134
Investments	248,243
Receivables (net of allowances for uncollectibles)	117,616
Prepaid Expenses	600
Due From Other Funds	3,509
Inventory	29,320
<i>Total Current Assets</i>	<u>1,097,422</u>
Property and Equipment (net)	<u>4,754,204</u>
TOTAL ASSETS	<u>5,851,626</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Debt Refundings	136,962
Pension Related Deferred Outflows	39,450
TOTAL DEFERRED OUTFLOWS	<u>176,412</u>
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	89,813
Accrued Wages	3,793
Accrued Compensated Absences	440
Accrued Interest	10,910
Deposits and Unearned Revenue	18,200
Current Portion of Long-Term Debt	114,482
<i>Total Current Liabilities</i>	<u>237,638</u>
<i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current Portion)	2,455,437
Net Pension Liability	56,229
<i>Total Long-term Liabilities</i>	<u>2,511,666</u>
TOTAL LIABILITIES	<u>2,749,304</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	<u>952</u>
 NET POSITION	
Net Investment In Capital Assets	2,321,247
Unrestricted	956,535
TOTAL NET POSITION	<u>\$ 3,277,782</u>

See accompanying notes to basic financial statements.

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

	<u>Water Utility</u>
OPERATING REVENUES	
Water Service	\$ 865,391
Miscellaneous Charges	<u>46,876</u>
TOTAL OPERATING REVENUES	<u>912,267</u>
 OPERATING EXPENSES	
Personnel	220,073
Materials and Supplies	15,727
Services	108,044
Water Lease	33,292
Maintenance	427,642
Depreciation	<u>203,800</u>
TOTAL OPERATING EXPENSES	<u>1,008,578</u>
 OPERATING INCOME (LOSS)	<u>(96,311)</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	6,848
Insurance Recoveries	45,707
Loss on Disposal of Capital Assets	(18,787)
Bond Issue Costs	(76,349)
Interest Expense	<u>(98,260)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(140,841)</u>
 INCOME (LOSS) BEFORE TRANSFERS	<u>(237,152)</u>
 TRANSFERS	
Transfers Out	<u>(79,312)</u>
TOTAL TRANSFERS	<u>(79,312)</u>
 CHANGE IN NET POSITION	(316,464)
 NET POSITION AT BEGINNING OF YEAR	<u>3,594,246</u>
 NET POSITION AT END OF YEAR	<u><u>\$ 3,277,782</u></u>

See accompanying notes to basic financial statements.

CITY OF SHAVANO PARK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water Utility</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 882,818
Cash Paid to Employees for Services	(220,338)
Cash Paid to Suppliers for Goods and Services	<u>(540,700)</u>
Net Cash Provided (Used) by Operating Activities	<u>121,780</u>
Cash Flows From Noncapital Financing Activities:	
Transfers to Other Funds	<u>(81,702)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(81,702)</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from Issuance of Bonded Debt	1,925,000
Premiums Received From Issuance of Bonded Debt	178,410
Insurance Recoveries	45,707
Proceeds from the Sale of Capital Assets	32,262
Bond Issue Costs Paid	(76,349)
Payment to Refunding Bond Escrow Agent	(2,027,061)
Purchase of Capital Assets	(316,938)
Principal Payments on Long-Term Debt	(120,963)
Interest Paid	<u>(73,274)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(433,206)</u>
Cash Flows From Investing Activities:	
Maturity of Investments	4,246
Investment Interest Received	<u>6,848</u>
Net Cash Provided (Used) by Investing Activities	<u>11,094</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(382,034)
Cash and Cash Equivalents at Beginning of Year	<u>1,080,168</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 698,134</u></u>

See accompanying notes to basic financial statements.

CITY OF SHAVANO PARK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water Utility</u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (96,311)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	203,800
(Increase) Decrease in Operating Assets:	
Accounts Receivable (net)	(29,899)
Inventory	5,380
Prepaid Expenses	3,603
(Increase) Decrease in Deferred Outflows:	
Pension Related Deferred Outflows	(8)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	35,022
Accrued Wages	(1,575)
Accrued Compensated Absences	(4,756)
Deposits and Unearned Revenue	450
Net Pension Liability	7,052
Increase (Decrease) in Deferred Inflows:	
Pension Related Deferred Inflows	(978)
Total Adjustments to Reconcile Operating Activities	<u>218,091</u>
 Net Cash Provided (Used) by	
Operating Activities	<u><u>\$ 121,780</u></u>

See accompanying notes to basic financial statements.

CITY OF SHAVANO PARK
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Pet Document and Rescue Fund
ASSETS	
Cash and Cash Equivalents	\$ 2,300
LIABILITIES	
Due to Others	\$ 2,300

See accompanying notes to basic financial statements.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On the edge of the Texas Hill Country, the City of Shavano Park (the “City”) is located in the San Antonio Metropolitan Area in northwest Bexar County, approximately 12 miles north of downtown San Antonio. Shavano Park is surrounded by the City of San Antonio to the north, east, south, and west. Generally, the City’s boundaries are Loop 1604 on the north, Huebner Road on the south, Lockhill Selma on the west and Salado Creek on the east. The original Town of Shavano was established around 1881 along the Olmos Creek and served as a stagecoach and rail stop between San Antonio and Boerne. The area now occupied by the City of Shavano Park was part of the Stowers Ranch. In 1947, Wallace Rogers and Sons purchased the land for residential development starting in 1948. The city of Shavano Park was incorporated on June 19, 1956 as a general law city. The City of Shavano Park is a Type A General Law City operating under a Council/City Manager form of government, consisting of five council members and an elected Mayor. The City maintains its own water system, provides fire and EMS services, police protection, street maintenance, public works, code enforcement, building inspections, municipal court, and twice a year brush and bulky item pick-up. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2017, the City had one component unit that is blended in these financial statements:

Shavano Park Crime Control and Prevention District

The City exerts significant control over the Crime Control and Prevention District (CCPD), a legally separate entity. The CCPD uses the taxing authority of the City and exists only to benefit the City and its community. City Council appoints all members of the Board, performs accounting and management functions, and approves the Budget. This qualifies the CCPD as a component unit, which is recorded as a separate fund of the City, using the blended method described in the previous paragraph. The CCPD collects a ¼ cent sales tax to support the police department of the City of Shavano Park. The CCPD does not issue separate financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

2. **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund and Capital Replacement Fund meet the criteria as **major governmental funds**. The City's only proprietary fund (Water Utility) is a major fund.

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

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

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

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

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, pension benefits and other post-employment benefits, are recorded only when the liability has matured and payment is due.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

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

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, franchise fees and permits. Primary expenditures are for general administration, police and fire protection.

Capital Replacement Fund is used to account for funds set aside for future capital asset replacements in accordance with the City's replacement schedule. The Fund receives budgeted annual contributions from the General Fund.

The City has the following types of nonmajor governmental funds: Debt Service and Special Revenue.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is a Water Utility.

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

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

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

4. CASH AND CASH EQUIVALENTS

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

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

5. INVESTMENTS

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2016 and past due after January 31, 2017. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

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

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

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

10. CAPITAL ASSETS

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

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

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	40 years
Streets, Utilities and Infrastructure	10 to 40 years
Furniture, Fixtures, Vehicles	3 to 20 years

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

11. INVENTORY

Inventory consists of utility supplies. The inventory is recorded at average cost.

12. COMPENSATED ABSENCES

Full-time employees earn vacation and sick leave and are allowed to accumulate unused leave. Unused sick leave is not paid upon termination. Liabilities for compensated absences are recognized in the governmental fund statements only to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the proprietary and government-wide statements.

13. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period incurred. 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.

On advance debt refundings in governmental funds, payments to defease debt are recorded as an other financing use. On debt refundings in proprietary and government-wide statements, the difference between the carrying amount of the refunded debt and the payment to defease the debt is amortized over the shorter of the lives of the new or refunded debts. The unamortized difference is recorded as a deferred outflow of resources.

14. PENSIONS

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

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

15. FUND BALANCES

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

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

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

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

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

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

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

It is the goal of the City to achieve and maintain an unassigned General Fund balance equal to 25 percent to 50 percent of budgeted expenditures. The City considers a balance of less than 20 percent to be a cause for concern, barring unusual or deliberate circumstances, and a balance of more than 50 percent as excessive. An amount in excess of 50 percent is to be considered for reservation to accumulate funding for capital projects and equipment, and/or to reduce the tax levy requirements, and shall be determined in conjunction with the annual budget process. In the event that the unassigned General Fund balance is less than the policy anticipates, the City shall plan to adjust budget resources in the subsequent fiscal years to restore the balance.

16. NET POSITION

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

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

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

17. OPERATING REVENUES AND EXPENSES

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

18. INTERFUND TRANSFERS

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

19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. CHANGE IN ACCOUNTING POLICY

Franchise fee revenue is now reported based on the date of the underlying transaction rather than the date received by the City. This change resulted in a prior period adjustment (See Note N).

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2017, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The City's investment policy further limits investments to: (1) federally insured bank deposits, (2) collateralized bank deposits, (3) U.S. Government Treasury bills and notes, including sweep accounts that invest in them, (4) U.S. Government Agencies, and (5) Public Funds Investment Pools. No other investments may be made without authorization of City Council.

The City's investments at September 30, 2017 consisted of the following:

	Reported Amount
Certificates of Deposit	\$ 992,705
External Investment Pools:	
Texstar	2,117,278
Texpool	201,774
Total Investments	<u>\$ 3,311,757</u>

The certificates of deposit were covered by pledged securities from the City's depository and FDIC. The certificates are reported at amortized cost. The external investment pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940 but are not registered with the SEC as investment companies. The pools strive to maintain a consistent net asset value and qualify to be the reported at amortized cost. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool. Both pools are rated AAAM.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2016, upon which the fiscal 2017 levy was based, was \$1,104,380,608 (i.e., market value less exemptions). The estimated market value was \$1,145,538,152, making the taxable value 96% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2017, was \$0.287742 per \$100 of assessed value, which means that the City has a tax margin of \$2.212258 for each \$100 value and could increase its annual tax levy by approximately \$24 million based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

NOTE D -- OTHER RECEIVABLES

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

	General Fund	Nonmajor Funds	Governmental Totals	Water Utility
Sales and Mixed Beverage Tax	\$ 66,366	\$ 33,188	\$ 99,554	\$ -
Franchise Fees	123,578	-	123,578	-
Warrants	390,192	-	390,192	-
EMS Charges	345,829	-	345,829	-
Utility Customers	-	-	-	105,448
Other Items	6,601	105	6,706	12,168
Allowance for Uncollectibles	(502,796)	-	(502,796)	-
Total Other Receivables	<u>\$ 429,770</u>	<u>\$ 33,293</u>	<u>\$ 463,063</u>	<u>\$ 117,616</u>

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE E -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2017 were as follows:

Due From	Due To	Amount	Purpose
Nonmajor	General	\$ 911	<i>Reimbursement</i>
Capital Replacement	General	17,500	<i>Reimbursement</i>
General	Nonmajor	418,591	<i>Collections on behalf of other funds</i>
General	Water	3,509	<i>Collections on behalf of other funds</i>
	Totals	<u>\$ 440,511</u>	

Interfund transfers during the year ending September 30, 2017 were as follows:

Transfer From	Transfer to	Amount	Purpose
Capital Replacement	General	\$ 300,620	<i>Contributions towards capital projects</i>
General	Capital Replacement	251,032	<i>Save for future capital projects</i>
Nonmajor	General	225,363	<i>Contributions towards capital projects</i>
Water	General	79,312	<i>Contributions towards capital projects</i>
		<u>\$ 856,327</u>	

NOTE F -- CAPITAL ASSETS

Governmental activities capital asset activity for the year ended September 30, 2017, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2016	Additions	Disposals/ Transfers	Balance 9/30/2017
Land	\$ 111,687	\$ -	\$ -	\$ 111,687
Buildings and Improvements	3,651,201	26,562	-	3,677,763
Infrastructure	2,771,047	-	-	2,771,047
Vehicles and Equipment	2,917,656	414,287	(60,186)	3,271,757
	<u>9,451,591</u>	<u>440,849</u>	<u>(60,186)</u>	<u>9,832,254</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,121,330)	(93,321)	-	(1,214,651)
Vehicles and Equipment	(2,140,109)	(238,302)	60,186	(2,318,225)
Infrastructure	<u>(1,406,004)</u>	<u>(69,277)</u>	<u>-</u>	<u>(1,475,281)</u>
	<u>(4,667,443)</u>	<u>(400,900)</u>	<u>60,186</u>	<u>(5,008,157)</u>
Capital Assets, Net	<u>\$ 4,784,148</u>	<u>\$ 39,949</u>	<u>\$ -</u>	<u>\$ 4,824,097</u>

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE F -- CAPITAL ASSETS (Continued)

Land, water rights, and construction in progress are not depreciated. Depreciation for the year ending September 30, 2017 was charged to the following functions:

General Administration	\$ 134,635
Municipal Court	1,674
Police	110,370
Fire	127,695
Public Works	<u>26,526</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 400,900</u>

Business-type activities capital asset activity for the year ended September 30, 2017, was as follows:

<i>Business-Type Activities</i>	Balance 10/1/2016	Additions	Disposals/ Transfers	Balance 9/30/2017
Land	\$ 30,146	\$ -	\$ -	\$ 30,146
Water Rights	302,981	-	-	302,981
Buildings and Improvements	91,363	10,813	-	102,176
Plant and Infrastructure	6,972,544	265,125	-	7,237,669
Vehicles and Equipment	<u>480,509</u>	<u>41,000</u>	<u>(200,804)</u>	<u>320,705</u>
	<u>7,877,543</u>	<u>316,938</u>	<u>(200,804)</u>	<u>7,993,677</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,284)	(2,284)	-	(4,568)
Plant and Infrastructure	(2,786,001)	(186,541)	4,504	(2,968,038)
Vehicles and Equipment	<u>(397,034)</u>	<u>(14,975)</u>	<u>145,142</u>	<u>(266,867)</u>
	<u>(3,185,319)</u>	<u>(203,800)</u>	<u>149,646</u>	<u>(3,239,473)</u>
Capital Assets, Net	<u>\$ 4,692,224</u>	<u>\$ 113,138</u>	<u>\$ (51,158)</u>	<u>\$ 4,754,204</u>

Land, water rights, and construction in progress are not depreciated.

NOTE G -- LONG-TERM DEBT

Combination Tax and Limited Pledged Revenue Certificates of Obligation, Series 2009

The City issued \$2,299,999 in certificates of obligation in August 2009 for water utility system improvements. The debt service on the certificates are to be paid by the water utility fund. The bonds mature serially through February 15, 2039 and bear interest at rates between 3.5% and 5.0%. In June 2017, \$1,185,000 of these obligations were defeased by Series 2017. An amount sufficient to service this debt was placed in escrow until the redemption date of February, 2019. According, these obligations have been removed from these financial statements.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE G -- LONG-TERM DEBT (Continued)

General Obligation Refunding Bonds, Series 2009

The City issued \$2,795,000 in general obligation bonds in May 2009 to partially refund outstanding debts governmental and water utility debts. The debt service on the bonds are shared by the water utility fund and debt service fund. The bonds mature serially through February 15, 2026 and bear interest at rates between 3.50% and 4.375%.

General Obligation Refunding Bonds, Series 2017

The City issued \$1,925,000 in bonds in June 2017 to advance refund a portion of the 2009 Certificates of Obligation. The refunding resulted in gross savings of \$306 thousand with a present value of \$235 thousand. The debt service is funded by the water utility fund. The bonds mature serially through February 15, 2039 and bear interest at rates between 0.90% and 2.90%.

Changes in long-term debt for the year ending September 30, 2017 were as follows:

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
<i>Governmental Activities</i>					
2009 General Obligation	\$ 1,640,636	\$ -	\$ (139,038)	\$ 1,501,598	\$ 143,010
<i>Total Governmental Activities</i>	<u>\$ 1,640,636</u>	<u>\$ -</u>	<u>\$ (139,038)</u>	<u>\$ 1,501,598</u>	<u>\$ 143,010</u>
<i>Business-Type Activities</i>					
Bonds Payable:					
2009 General Obligation	\$ 424,364	\$ -	\$ (35,962)	\$ 388,402	\$ 36,990
2009 Certificates	2,050,000	-	(1,940,000)	110,000	55,000
2017 General Obligation	-	1,925,000	(30,000)	1,895,000	10,000
2017 General Obligation Premium	-	178,410	(1,893)	176,517	12,492
<i>Total Business-Type Activities</i>	<u>\$ 2,474,364</u>	<u>\$ 2,103,410</u>	<u>\$ (2,007,855)</u>	<u>\$ 2,569,919</u>	<u>\$ 114,482</u>

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE G -- LONG-TERM DEBT (Continued)

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

Fiscal Year Ending September 30,	Principal	Interest	Total
<i>Governmental Activities</i>			
2018	\$ 143,010	\$ 59,071	\$ 202,081
2019	154,928	53,470	208,398
2020	154,928	47,273	202,201
2021	162,873	40,917	203,790
2022	170,818	34,243	205,061
2023-2026	715,041	60,715	775,756
	<u>\$ 1,501,598</u>	<u>\$ 295,689</u>	<u>\$ 1,797,287</u>
<i>Business-Type Activities</i>			
2018	\$ 101,990	\$ 85,567	\$ 187,557
2019	105,072	81,993	187,065
2020	110,072	78,627	188,699
2021	112,127	75,583	187,710
2022	114,182	72,457	186,639
2023-2027	564,959	305,205	870,164
2028-2032	460,000	212,400	672,400
2033-2037	565,000	110,500	675,500
2038-2039	260,000	10,400	270,400
	<u>\$ 2,393,402</u>	<u>\$ 1,032,732</u>	<u>\$ 3,426,134</u>

NOTE H -- OPERATING LEASE

The City leased police tasers requiring 5 annual payments of \$8,640 through 2021.

NOTE I -- DESIGNATED NET POSITION

As of September 30, 2017, the City has designated \$448,330 of the proprietary Water Utility Fund's \$956,535 in unrestricted net position for capital projects.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS'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 retirement system

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

At the December 31 valuations and measurement dates, the following employees were covered by the benefit terms:

	2015	2016
Inactive employees or beneficiaries currently receiving benefits	22	24
Inactive employees entitled to but not yet receiving benefits	84	84
Active employees	46	49
	<u>152</u>	<u>157</u>

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.39% and 13.61% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$377,030, \$1,842 more than the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.50% 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 Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

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 SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 6,006,303	\$ 5,042,037	\$ 964,266
Changes for the year:			
Service Cost	473,885	-	473,885
Interest	417,517	-	417,517
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	93,916	-	93,916
Changes of Assumptions	-	-	-
Contributions - Employer	-	349,004	(349,004)
Contributions - Employee	-	179,502	(179,502)
Net Investment Income	-	340,526	(340,526)
Benefit Payments, Including Refunds of Employee Contributions	(115,623)	(115,623)	-
Administrative Expense	-	(3,848)	3,848
Other Changes	-	(206)	206
Net Changes	869,695	749,355	120,340
Balance at December 31, 2016	\$ 6,875,998	\$ 5,791,392	\$ 1,084,606

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 or 1-percentage point higher than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 2,338,456	\$ 1,084,606	\$ 90,964

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 SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2017, the City recognized pension expense of \$480,543. Also as of September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 65,881	\$ 15,706
Changes in Actuarial Assumptions	22,863	-
Differences Between Projected and Actual Investment Earnings	216,150	151
Contributions Subsequent to the Measurement Date	275,544	-
	<u>\$ 580,438</u>	<u>\$ 15,857</u>

Deferred outflows of resources in the amount of \$275,544 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2017	\$ 108,915
2018	105,483
2019	74,676
2020	(37)
	<u>\$ 289,037</u>

NOTE K -- OTHER POSTEMPLOYMENT BENEFITS

Supplemental Death Benefits

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

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE K -- OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

The City's contributions to the TMRS SDBF for the fiscal years ending December 31, 2017, 2016 and 2015 were \$3,397, \$2,929, and \$3,453, respectively, which equaled the required contributions each year.

NOTE L -- HIGHER EDUCATION FACILITIES CORPORATION

In October 1999, the City created City of Shavano Park, Texas, Higher Education Facilities Corporation (HEFC), a nonprofit corporation. The HEFC aides nonprofit educational institutions in providing educational facilities and housing facilities and facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith under the provisions of Chapter 53A, Texas Education Code. In accordance with the terms establishing the nonprofit corporation, the city is not liable for any expenses incurred in establishing or administering the HEFC. The HEFC also not consolidated into the financial statements of City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2017, the HEFC had issued two series of Bonds:

Issue	Original Principal	Amount Outstanding	Maturity
2015 Series	\$ 5,200,000	\$ 4,850,000	2035
2016 Series	2,000,000	1,955,000	2026

NOTE M -- COMMITMENTS AND CONTINGENCIES

Litigation

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

CITY OF SHAVANO PARK
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2017

NOTE N -- RISK MANAGEMENT

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

NOTE O – PRIOR PERIOD ADJUSTMENT

As noted in Note A.20, the City now reports franchise revenue on the date of the underlying transaction creating the fee occurs. This resulted in an increase in General Fund (and Governmental Activities) franchise fee revenue of \$4,781. A prior period adjustment of \$118,796 was recorded in the General Fund and Governmental Activities to reflect the cumulative results of the change on prior years.



REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Pension Contributions

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

	Budget Amounts		Actual	
	Original	Final	Amounts	Variance
REVENUES				
Ad Valorem Taxes	\$ 2,887,359	\$ 2,937,359	\$ 2,989,753	\$ 52,394
Sales Taxes	400,000	422,645	436,447	13,802
Mixed Beverage Tax	20,000	20,000	19,230	(770)
Franchise Fees	458,940	458,940	453,756	(5,184)
Licenses and Permits	423,450	472,250	598,356	126,106
Emergency Medical Services	70,000	75,000	111,170	36,170
Fines and Penalties	210,200	210,200	191,327	(18,873)
Interest Income	9,000	14,000	22,194	8,194
Miscellaneous	69,548	73,433	182,758	109,325
TOTAL REVENUES	<u>4,548,497</u>	<u>4,683,827</u>	<u>5,004,991</u>	<u>321,164</u>
EXPENDITURES				
<i>Current:</i>				
Council	30,100	30,100	29,388	712
General Administration	746,439	750,707	727,064	23,643
Municipal Court	80,179	80,179	75,504	4,675
Public Works	503,534	538,145	462,956	75,189
Fire	1,541,877	1,571,029	1,484,715	86,314
Police	1,418,465	1,515,132	1,483,552	31,580
Development Services	97,800	97,900	98,089	(189)
Capital Outlay	370,500	494,100	505,956	(11,856)
TOTAL EXPENDITURES	<u>4,788,894</u>	<u>5,077,292</u>	<u>4,867,224</u>	<u>210,068</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(240,397)</u>	<u>(393,465)</u>	<u>137,767</u>	<u>531,232</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	5,000	23,066	23,245	179
Transfers In	449,784	621,431	605,295	(16,136)
Transfers Out	(214,387)	(251,032)	(251,032)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>240,397</u>	<u>393,465</u>	<u>377,508</u>	<u>(15,957)</u>
Net Change in Fund Balance	-	-	515,275	515,275
Beginning Fund Balance	2,438,048	2,438,048	2,438,048	-
Prior Period Adjustment	-	-	118,796	118,796
Ending Fund Balance	<u>\$ 2,438,048</u>	<u>\$ 2,438,048</u>	<u>\$ 3,072,119</u>	<u>\$ 634,071</u>

CITY OF SHAVANO PARK
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017

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

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

The City does not use encumbrances.

CITY OF SHAVANO PARK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE PLAN (CALENDAR) YEARS

Total Pension Liability			
	2014	2015	2016
Service Cost	\$ 370,994	\$ 415,475	\$ 473,885
Interest (on the Total Pension Liability)	342,494	383,127	417,517
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(19,418)	(35,818)	93,916
Change of Assumptions	-	59,151	-
Benefit Payments, Including Refunds of Employee Contributions	(109,427)	(162,266)	(115,623)
Net Change in Total Pension Liability	584,643	659,669	869,695
Total Pension Liability - Beginning	4,761,991	5,346,634	6,006,303
Total Pension Liability - Ending	<u>\$ 5,346,634</u>	<u>\$ 6,006,303</u>	<u>\$ 6,875,998</u>
Plan Fiduciary Net Position			
	2014	2015	2016
Contributions - Employer	\$ 260,007	\$ 307,649	\$ 349,004
Contributions - Employee	153,047	158,233	179,502
Net Investment Income	240,054	6,990	340,526
Benefit Payments, Including Refunds of Employee Contributions	(109,427)	(162,266)	(115,623)
Administrative Expense	(2,505)	(4,256)	(3,848)
Other	(205)	(212)	(206)
Net Change in Plan Fiduciary Net Position	540,971	306,138	749,355
Plan Fiduciary Net Position - Beginning	4,194,928	4,735,899	5,042,037
Plan Fiduciary Net Position - Ending	<u>\$ 4,735,899</u>	<u>\$ 5,042,037</u>	<u>\$ 5,791,392</u>
Net Pension Liability (Asset) - Ending	\$ 610,735	\$ 964,266	\$ 1,084,606
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.58%	83.95%	84.23%
Covered Employee Payroll	\$ 2,183,711	\$ 2,260,472	\$ 2,564,315
Net Pension Liability as a Percentage of Covered Employee Payroll	27.97%	42.66%	42.30%

Information is being accumulated prospectively until ten years is available.

CITY OF SHAVANO PARK
SCHEDULE OF CITY CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 243,300	\$ 306,584	\$ 314,459	\$ 375,188
Contributions in Relation to the Actuarially Determined Contribution	243,300	306,584	318,460	377,030
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (4,001)	\$ (1,842)
 Covered Employee Payroll	 \$ 2,157,762	 \$ 2,252,914	 \$ 2,260,472	 \$ 2,768,761
 Contributions as a Percentage of Covered Employee Payroll	 11.28%	 13.61%	 14.09%	 13.62%

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (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	27 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female\ rates multiplied by 103% and projected on a fully generational basis with scale BB.



SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Statements – Nonmajor Governmental Funds
- Comparative Individual Fund Statements
 - General Fund
 - Water Utility

CITY OF SHAVANO PARK
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

		Special Revenue Funds		
	Debt Service Fund	Crime Control District	PEG Fund	Oak Wilt Fund
ASSETS				
Cash and Cash Equivalents	\$ 275,137	\$ 674,779	\$ 104,150	\$ -
Property Taxes Receivable (net)	1,786	-	-	-
Other Receivables	-	16,596	-	105
Due From Other Funds	88	-	-	70,227
TOTAL ASSETS	<u>\$ 277,011</u>	<u>\$ 691,375</u>	<u>\$ 104,150</u>	<u>\$ 70,332</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURECED & FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 94	\$ -	\$ -
Due to Other Funds	-	911	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>1,005</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	1,786	-	-	-
<i>Total Deferred Inflows</i>	<u>1,786</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>				
Restricted For:				
Debt Service	275,225	-	-	-
Police	-	690,370	-	-
Municipal Court	-	-	-	-
Street Maintenance	-	-	-	-
PEG	-	-	104,150	-
Committed For:				
Oak Wilt	-	-	-	70,332
<i>Total Fund Balances</i>	<u>275,225</u>	<u>690,370</u>	<u>104,150</u>	<u>70,332</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 277,011</u>	<u>\$ 691,375</u>	<u>\$ 104,150</u>	<u>\$ 70,332</u>

Special Revenue Funds					Total
Street Maintenance	Court Tech and Security	Child Safety Fund	Forfeiture Fund	LEOSE Training	Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,054,066
-	-	-	-	-	1,786
16,592	-	-	-	-	33,293
284,700	57,589	5,474	-	513	418,591
<u>\$ 301,292</u>	<u>\$ 57,589</u>	<u>\$ 5,474</u>	<u>\$ -</u>	<u>\$ 513</u>	<u>\$ 1,507,736</u>
\$ -	\$ -	\$ 675	\$ -	\$ -	\$ 769
-	-	-	-	-	911
-	-	675	-	-	1,680
-	-	-	-	-	1,786
-	-	-	-	-	1,786
-	-	-	-	-	275,225
-	-	4,799	-	513	695,682
-	57,589	-	-	-	57,589
301,292	-	-	-	-	301,292
-	-	-	-	-	104,150
-	-	-	-	-	70,332
<u>301,292</u>	<u>57,589</u>	<u>4,799</u>	<u>-</u>	<u>513</u>	<u>1,504,270</u>
<u>\$ 301,292</u>	<u>\$ 57,589</u>	<u>\$ 5,474</u>	<u>\$ -</u>	<u>\$ 513</u>	<u>\$ 1,507,736</u>

CITY OF SHAVANO PARK
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017

		Special Revenue Funds		
	Debt Service Fund	Crime Control District	PEG Fund	Oak Wilt Fund
REVENUES				
Ad Valorem Taxes	\$ 172,958	\$ -	\$ -	\$ -
Sales Tax	-	109,944	-	-
Franchise Fees	-	-	15,212	-
Licenses and Permits	-	-	-	13,700
Fines and Forfeitures	-	-	-	-
Interest Income	1,537	2,582	27	-
Miscellaneous Income	-	-	-	-
TOTAL REVENUES	<u>174,495</u>	<u>112,526</u>	<u>15,239</u>	<u>13,700</u>
EXPENDITURES				
<i>Current:</i>				
Fire	-	-	-	-
Police	-	7,220	-	-
<i>Debt Service:</i>				
Principal	139,038	-	-	-
Interest and Fiscal Charges	64,307	-	-	-
TOTAL EXPENDITURES	<u>203,345</u>	<u>7,220</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,850)	105,306	15,239	13,700
OTHER FINANCING USES				
Transfer Out	-	(215,106)	-	-
Net Change in Fund Balance	(28,850)	(109,800)	15,239	13,700
Fund Balances at Beginning of Year	<u>304,075</u>	<u>800,170</u>	<u>88,911</u>	<u>56,632</u>
Fund Balances at End of Year	<u>\$ 275,225</u>	<u>\$ 690,370</u>	<u>\$ 104,150</u>	<u>\$ 70,332</u>

Special Revenue Funds					Total Nonmajor Funds
Street Maintenance	Court Tech and Security	Child Safety Fund	Forfeiture Fund	LEOSE Training	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,958
109,112	-	-	-	-	219,056
-	-	-	-	-	15,212
-	-	-	-	-	13,700
-	8,366	-	-	-	8,366
-	-	-	18	7	4,171
-	-	3,487	-	1,563	5,050
<u>109,112</u>	<u>8,366</u>	<u>3,487</u>	<u>18</u>	<u>1,570</u>	<u>438,513</u>
-	-	1,182	-	-	1,182
-	-	2,445	-	3,871	13,536
-	-	-	-	-	139,038
-	-	-	-	-	64,307
<u>-</u>	<u>-</u>	<u>3,627</u>	<u>-</u>	<u>3,871</u>	<u>218,063</u>
109,112	8,366	(140)	18	(2,301)	220,450
<u>-</u>	<u>(4,013)</u>	<u>-</u>	<u>(6,244)</u>	<u>-</u>	<u>(225,363)</u>
109,112	4,353	(140)	(6,226)	(2,301)	(4,913)
<u>192,180</u>	<u>53,236</u>	<u>4,939</u>	<u>6,226</u>	<u>2,814</u>	<u>1,509,183</u>
<u>\$ 301,292</u>	<u>\$ 57,589</u>	<u>\$ 4,799</u>	<u>\$ -</u>	<u>\$ 513</u>	<u>\$ 1,504,270</u>

CITY OF SHAVANO PARK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,818,116	\$ 2,224,940
Investments	744,462	748,686
Receivables (net of allowances for uncollectibles):		
Property Taxes	20,865	17,965
Other Receivables	429,770	362,022
Due from Other Funds	<u>18,411</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 4,031,624</u></u>	<u><u>\$ 3,353,613</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 178,454	\$ 232,835
Accrued Expenditures	104,860	84,914
Due to Other Funds	<u>422,100</u>	<u>290,930</u>
<i>Total Liabilities</i>	<u>705,414</u>	<u>608,679</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	20,865	17,965
Unavailable Warrant Revenue	195,096	164,105
Unavailable EMS Revenue	<u>38,130</u>	<u>6,020</u>
<i>Total Deferred Inflows of Resources</i>	<u>254,091</u>	<u>188,090</u>
<i>Fund Balances:</i>		
Unassigned	<u>3,072,119</u>	<u>2,556,844</u>
<i>Total Fund Balance</i>	<u>3,072,119</u>	<u>2,556,844</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 4,031,624</u></u>	<u><u>\$ 3,353,613</u></u>

CITY OF SHAVANO PARK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GENERAL FUND
SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUES		
Ad Valorem Taxes	\$ 2,989,753	\$ 2,645,218
Sales Taxes	436,447	388,949
Mixed Beverage Tax	19,230	18,535
Franchise Fees	453,756	437,409
Licenses and Permits	598,356	523,446
Emergency Medical Services	111,170	68,606
Fines and Penalties	191,327	202,393
Interest Income	22,194	10,328
Miscellaneous	182,758	91,454
TOTAL REVENUES	<u>5,004,991</u>	<u>4,386,338</u>
EXPENDITURES		
<i>Current:</i>		
Council	29,388	28,948
General Administration	727,064	752,087
Municipal Court	75,504	67,435
Public Works	462,956	394,926
Fire	1,484,715	1,292,593
Police	1,483,552	1,215,776
Development Services	98,089	99,671
Capital Outlay	505,956	159,110
TOTAL EXPENDITURES	<u>4,867,224</u>	<u>4,010,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>137,767</u>	<u>375,792</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Disposal of Assets	23,245	15,038
Transfers In	605,295	134,655
Transfers Out	<u>(251,032)</u>	<u>(1,925,486)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>377,508</u>	<u>(1,775,793)</u>
Net Change in Fund Balance	515,275	(1,400,001)
BEGINNING FUND BALANCE	2,556,844	3,838,049
Prior Period Adjustment	-	118,796
ENDING FUND BALANCE	<u>\$ 3,072,119</u>	<u>\$ 2,556,844</u>

CITY OF SHAVANO PARK
COMPARATIVE STATEMENTS OF NET POSITION
WATER UTILITY
SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 698,134	\$ 1,080,168
Investments	248,243	252,489
Customer Receivables	117,616	87,717
Inventory and Prepaid Expenses	29,920	38,903
Due from Other Funds	3,509	1,119
<i>Total Current Assets</i>	<u>1,097,422</u>	<u>1,460,396</u>
Property and Equipment (net)	<u>4,754,204</u>	<u>4,692,224</u>
TOTAL ASSETS	<u>5,851,626</u>	<u>6,152,620</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refundings	136,962	25,240
Pension Related Deferred Outflows	39,450	39,442
TOTAL DEFERRED OUTFLOWS	<u>176,412</u>	<u>64,682</u>
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	89,813	54,791
Accrued Wages	3,793	5,368
Accrued Compensated Absences	440	5,196
Accrued Interest	10,910	14,480
Deposits and Unearned Revenue	18,200	17,750
Current Portion of Long-Term Debt	114,482	85,963
<i>Total Current Liabilities</i>	<u>237,638</u>	<u>183,548</u>
<i>Long-term Liabilities:</i>		
Long-term Debt (Net of Current Portion)	2,455,437	2,388,401
Net Pension Liability	56,229	49,177
<i>Total Long-term Liabilities</i>	<u>2,511,666</u>	<u>2,437,578</u>
TOTAL LIABILITIES	<u>2,749,304</u>	<u>2,621,126</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	<u>952</u>	<u>1,930</u>
NET POSITION		
Net Investment In Capital Assets	2,321,247	2,217,860
Unrestricted	956,535	1,376,386
TOTAL NET POSITION	<u>\$ 3,277,782</u>	<u>\$ 3,594,246</u>

CITY OF SHAVANO PARK
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION
WATER UTILITY
SEPTEMBER 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Charges for Utility Service	\$ 865,391	\$ 784,442
Miscellaneous Charges	46,876	60,768
TOTAL OPERATING REVENUES	<u>912,267</u>	<u>845,210</u>
OPERATING EXPENSES		
Personnel	220,073	229,852
Materials and Supplies	15,727	14,456
Services	108,044	106,799
Water Lease	33,292	47,969
Maintenance	427,642	261,068
Depreciation	203,800	195,206
TOTAL OPERATING EXPENSES	<u>1,008,578</u>	<u>855,350</u>
OPERATING INCOME (LOSS)	<u>(96,311)</u>	<u>(10,140)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	6,848	3,139
Insurance Recoveries	45,707	2,390
Loss on Disposal of Capital Assets	(18,787)	-
Bond Issue Costs	(76,349)	-
Interest Expense	(98,260)	(117,397)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(140,841)</u>	<u>(111,868)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(237,152)</u>	<u>(122,008)</u>
TRANSFERS		
Transfers Out	(79,312)	(22,050)
TOTAL TRANSFERS	<u>(79,312)</u>	<u>(22,050)</u>
CHANGE IN NET POSITION	(316,464)	(144,058)
NET POSITION AT BEGINNING OF YEAR	<u>3,594,246</u>	<u>3,738,304</u>
NET POSITION AT END OF YEAR	<u>\$ 3,277,782</u>	<u>\$ 3,594,246</u>

