

CITY OF VENUS, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2017

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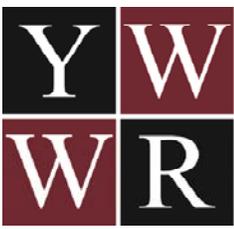
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YELDELL, WILSON, WOOD & REEVE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA
Glenda Valek, CPA | Caitlyn Keller, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Venus, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Venus, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability information on pages 3-11 and 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Venus, Texas' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountants

Waxahachie, Texas
June 6, 2018

CITY OF VENUS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Venus, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,210,437 (*net position*). Of this amount, \$3,285,131 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$511,997.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,374,103, an increase of \$136,766 in comparison with prior year. Approximately 97% of this amount (\$2,312,018) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,312,018, or approximately 115% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single aggregated presentation and presented as nonmajor. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer operations and sanitation service.

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

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-46 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions. Required supplementary information can be found on pages 48-50 of this report.

This report also presents combining statements and an individual fund schedule referred to earlier in connection with nonmajor governmental funds and the water and sewer fund. Combining and individual fund statements and schedules can be found on pages 52-55 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$8,210,437, at the close of the most recent fiscal year.

CITY OF VENUS' NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 2,799,643 | \$ 2,547,958 | \$ 1,225,678 | \$ 982,051 | \$ 4,025,321 | \$ 3,530,009 |
| Capital assets | 1,905,078 | 1,852,748 | 5,001,309 | 5,123,493 | 6,906,387 | 6,976,241 |
| Total assets | <u>4,704,721</u> | <u>4,400,706</u> | <u>6,226,987</u> | <u>6,105,544</u> | <u>10,931,708</u> | <u>10,506,250</u> |
| Total deferred outflows of resources | 125,708 | 168,192 | 11,507 | 12,148 | 137,215 | 180,340 |
| Long term liabilities | 102,418 | 120,419 | 2,049,168 | 2,287,149 | 2,151,586 | 2,407,568 |
| Other liabilities | 393,246 | 276,653 | 239,781 | 206,620 | 633,027 | 483,273 |
| Total liabilities | <u>495,664</u> | <u>397,072</u> | <u>2,288,949</u> | <u>2,493,769</u> | <u>2,784,613</u> | <u>2,890,841</u> |
| Total deferred inflows of resources | 68,507 | 90,756 | 5,366 | 6,553 | 73,873 | 97,309 |
| Net position: | | | | | | |
| Net investment in capital assets | 1,898,495 | 1,813,395 | 2,964,726 | 2,843,993 | 4,863,221 | 4,657,388 |
| Restricted | 58,554 | 60,904 | - | - | 58,554 | 60,904 |
| Unrestricted | 2,309,209 | 2,206,771 | 979,453 | 773,377 | 3,288,662 | 2,980,148 |
| Total net position | <u>\$ 4,266,258</u> | <u>\$ 4,081,070</u> | <u>\$ 3,944,179</u> | <u>\$ 3,617,370</u> | <u>\$ 8,210,437</u> | <u>\$ 7,698,440</u> |

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (59.2%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, infrastructure and water rights), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net investment in capital assets increased as a result of additions to construction in progress, machinery and equipment, improvements, and infrastructure, while long-term debt decreased due to scheduled debt payments being made.

An additional portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,288,662 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$511,997 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF VENUS' CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 469,423 | \$ 157,720 | \$ 2,023,207 | \$ 1,809,918 | \$ 2,492,630 | \$ 1,967,638 |
| Operating grants and contributions | 97,097 | 58,442 | 4,311 | - | 101,408 | 58,442 |
| Capital grants and contributions | 49,931 | 61,901 | 33,268 | - | 83,199 | 61,901 |
| General revenues: | | | | | | |
| Property taxes | 1,136,050 | 1,053,388 | - | - | 1,136,050 | 1,053,388 |
| Sales taxes | 322,047 | 320,457 | - | - | 322,047 | 320,457 |
| Franchise taxes | 91,214 | 117,910 | - | - | 91,214 | 117,910 |
| Investment earnings | 7,967 | 2,189 | 1,485 | 1,136 | 9,452 | 3,325 |
| Gain (loss) on sale of capital assets | 14,939 | - | - | - | 14,939 | - |
| Miscellaneous | 26,378 | 119,848 | - | 8,975 | 26,378 | 128,823 |
| Total revenues | 2,215,046 | 1,891,855 | 2,062,271 | 1,820,029 | 4,277,317 | 3,711,884 |
| Expenses: | | | | | | |
| General government | 659,082 | 663,972 | - | - | 659,082 | 663,972 |
| Public safety | 904,378 | 868,599 | - | - | 904,378 | 868,599 |
| Public works | 465,590 | 399,068 | - | - | 465,590 | 399,068 |
| Interest on long-term debt | 808 | - | - | - | 808 | - |
| Water and sewer | - | - | 1,571,336 | 1,435,993 | 1,571,336 | 1,435,993 |
| Sanitation service | - | - | 164,126 | 145,025 | 164,126 | 145,025 |
| Total expenses | 2,029,858 | 1,931,639 | 1,735,462 | 1,581,018 | 3,765,320 | 3,512,657 |
| Change in net position | 185,188 | (39,784) | 326,809 | 239,011 | 511,997 | 199,227 |
| Net position - beginning, as restated | 4,081,070 | 4,120,854 | 3,617,370 | 3,378,359 | 7,698,440 | 7,499,213 |
| Net position - ending | \$ 4,266,258 | \$ 4,081,070 | \$ 3,944,179 | \$ 3,617,370 | \$ 8,210,437 | \$ 7,698,440 |

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$185,188 from the prior fiscal year for an ending balance of \$4,266,258. Revenues benefitted from an increase in charges for services (\$311,703), an increase in operating grants and contributions (\$38,655), and an increase in taxes (\$57,556). Capital grants and contributions and miscellaneous revenues decreased by \$11,970 and \$93,470 respectively. Public safety expenses increased during the year primarily due to personnel related expenses (\$35,779) while public works expenses increased during the year due to street repairs (\$66,522).

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in a net increase in net position to an ending balance of \$3,944,179. The total increase in net position for business-type activities (water and sewer operations and sanitation service) was \$326,809 from the prior fiscal year. Revenues from charges for services increased 11.78% due to an increase in consumption. Revenues from capital grants and contributions increased due to the start of construction in progress for improvements to the water and sewer system, funded by grant revenue (\$33,268). Total expenses increased 9.77% (\$154,444) in the current fiscal year due to an increase in spending on repairs and maintenance.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2017, the City's governmental funds reported combined fund balances of \$2,374,103, an increase of \$136,766 in comparison with the prior year. Approximately 97.4% of this amount \$2,312,018 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted for particular purposes (\$62,085).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$2,312,018 and \$2,347,597, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 114.6% and 116.3% of total general fund expenditures, respectively.

The fund balance of the City's general fund increased by \$136,906 during the current fiscal year.

Proprietary Funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer fund at the end of the year was \$979,453. The total growth in net position was \$326,809. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights.

Original budget compared to final budget. Approximate differences between the original budget and final amended budget can be briefly summarized as follows:

- \$34,816 decrease in general government expenditures
- \$2,600 increase in police expenditures
- \$28,954 increase in municipal court expenditures
- \$65,000 increase in public works expenditures
- \$29,017 increase in transfers out

Final budget compared to actual results. General fund actual revenues of \$2,125,861 exceeded budgeted revenues of \$2,040,458 by \$85,403. Following are the main components that experienced a variance of actual revenue compared to budgeted revenue:

- The \$48,692 increase in property tax resulted from an increase in assessed property values.
- The \$83,207 decrease in sales tax resulted from less growth in retail activity than originally budgeted.
- The \$252,622 increase in licenses and permits resulted from an increase in developers building within the City .
- The \$157,339 decrease in fines and forfeiture resulted from a decrease in the number of citations issued and collected on during the year.
- The \$30,995 increase in intergovernmental revenue resulted primarily from public safety grants received during the year.

Budgeted general fund expenditures of \$2,345,468 exceeded actual expenditures of \$2,144,946 by \$200,522.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$6,906,387 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water rights. The total decrease in capital assets for the current fiscal year was approximately 1.00%.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 461,932 | \$ 461,932 | \$ 25,270 | \$ 25,270 | \$ 487,202 | \$ 487,202 |
| Construction in progress | 12,565 | - | 49,794 | - | 62,359 | - |
| Buildings | 216,917 | 229,387 | 62,212 | 63,989 | 279,129 | 293,376 |
| Improvements | - | - | 3,589,974 | 3,691,789 | 3,589,974 | 3,691,789 |
| Machinery and equipment | 302,580 | 269,337 | 42,631 | 20,958 | 345,211 | 290,295 |
| Infrastructure | 911,084 | 892,092 | - | - | 911,084 | 892,092 |
| Water rights | - | - | 1,231,428 | 1,321,487 | 1,231,428 | 1,321,487 |
| Total | <u>\$ 1,905,078</u> | <u>\$ 1,852,748</u> | <u>\$ 5,001,309</u> | <u>\$ 5,123,493</u> | <u>\$ 6,906,387</u> | <u>\$ 6,976,241</u> |

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

- Additions to construction in progress related to infrastructure and water and sewer system improvements of approximately \$62,000.
- Infrastructure improvements of approximately \$85,000.
- Machinery, computer, and other equipment additions of approximately \$112,000.
- Improvements to water and sewer system of approximately \$21,000.

Additional information on the City's capital assets can be found in Note 2.D on pages 32-33 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,100,000, which is secured by the net revenues of the City's combined waterworks and sewer system. The remainder of the City's long-term obligations comprises contract payable and note payable.

**Outstanding Debt at Year End
Bonds, Contract, Notes, and Capital Lease Payable**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|------------------------------------|------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| General obligation bonds | \$ - | \$ - | \$ 1,100,000 | \$ 1,272,000 | \$ 1,100,000 | \$ 1,272,000 |
| Contract payable | - | - | 930,000 | 1,007,500 | 930,000 | 1,007,500 |
| Note payable | 6,583 | - | 6,583 | - | 13,166 | - |
| Capital leases payable | - | 39,833 | - | - | - | 39,833 |
| Total | <u>\$ 6,583</u> | <u>\$ 39,833</u> | <u>\$ 2,036,583</u> | <u>\$ 2,279,500</u> | <u>\$ 2,043,166</u> | <u>\$ 2,319,333</u> |

Additional information on the City's long term-debt can be found in Note 2.G on pages 35-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2017-18 Budget, General Fund revenues increased 3% from the 2016-17 budget year with property taxes making up about 52% and sales tax making up about 19% of general fund budgeted revenues.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Venus, P.O. Box 380, Venus, Texas 76084.

CITY OF VENUS, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|---------------------|--|
| | Governmental Activities | Business-type Activities | Total | Venus Community Services Development Corporation |
| | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 998,107 | \$ 975,962 | \$ 1,974,069 | \$ - |
| Investments | 1,640,551 | - | 1,640,551 | - |
| Receivables (net of allowance for uncollectibles) | 132,891 | 196,302 | 329,193 | - |
| Due from other governments | 3,380 | 8,422 | 11,802 | 251,970 |
| Internal balances | 24,714 | (24,714) | - | - |
| Deposits | - | 69,706 | 69,706 | - |
| Capital assets: | | | | |
| Non-depreciable | 474,497 | 75,064 | 549,561 | - |
| Depreciable (net of accumulated depreciation) | 1,430,581 | 4,926,245 | 6,356,826 | - |
| Total assets | <u>4,704,721</u> | <u>6,226,987</u> | <u>10,931,708</u> | <u>251,970</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Changes in actuarial assumptions | 5,352 | 387 | 5,739 | - |
| Difference in projected and actual earnings on pension assets | 51,458 | 3,718 | 55,176 | - |
| Difference in expected and actual pension experience | 8,508 | 614 | 9,122 | - |
| Pension contributions after measurement date | 60,390 | 6,788 | 67,178 | - |
| Total deferred outflows of resources | <u>125,708</u> | <u>11,507</u> | <u>137,215</u> | <u>-</u> |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | 110,890 | 93,975 | 204,865 | 16,157 |
| Accrued payroll payable | 30,386 | 4,663 | 35,049 | - |
| Customer deposits payable | - | 83,350 | 83,350 | - |
| Due to other government | 251,970 | - | 251,970 | - |
| Accrued interest payable | - | 57,793 | 57,793 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 59,574 | 266,852 | 326,426 | - |
| Due in more than one year | 42,844 | 1,782,316 | 1,825,160 | - |
| Total liabilities | <u>495,664</u> | <u>2,288,949</u> | <u>2,784,613</u> | <u>16,157</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Difference in expected and actual pension experience | 68,507 | 5,366 | 73,873 | - |
| Total deferred inflows of resources | <u>68,507</u> | <u>5,366</u> | <u>73,873</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,898,495 | 2,964,726 | 4,863,221 | - |
| Restricted for: | | | | |
| Debt service | 2,081 | - | 2,081 | - |
| Economic development | - | - | - | 235,813 |
| Public safety | 56,473 | - | 56,473 | - |
| Public works | 3,531 | - | 3,531 | - |
| Unrestricted | 2,305,678 | 979,453 | 3,285,131 | - |
| Total net position | <u>\$ 4,266,258</u> | <u>\$ 3,944,179</u> | <u>\$ 8,210,437</u> | <u>\$ 235,813</u> |

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

CITY OF VENUS, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position

| Function/Program Activities | Program Revenues | | | | Primary Government | | | Component Unit |
|--|-------------------------|-----------------------------|---|---|--------------------------------|---------------------------------|--------------|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | Venus Community Services Development Corporation |
| | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 659,082 | \$ 357,217 | \$ 22,579 | \$ 46,551 | \$ (232,735) | \$ - | \$ (232,735) | \$ - |
| Public safety | 904,378 | 104,486 | 74,518 | - | (725,374) | - | (725,374) | - |
| Cultural and recreational | - | 7,720 | - | - | 7,720 | - | 7,720 | - |
| Public works | 465,590 | - | - | 3,380 | (462,210) | - | (462,210) | - |
| Interest on long-term debt | 808 | - | - | - | (808) | - | (808) | - |
| Total governmental activities | 2,029,858 | 469,423 | 97,097 | 49,931 | (1,413,407) | - | (1,413,407) | - |
| Business-type activities: | | | | | | | | |
| Water and sewer | 1,571,336 | 1,845,294 | 4,311 | 33,268 | - | 311,537 | 311,537 | - |
| Sanitation service | 164,126 | 177,913 | - | - | - | 13,787 | 13,787 | - |
| Total business-type activities | 1,735,462 | 2,023,207 | 4,311 | 33,268 | - | 325,324 | 325,324 | - |
| Total primary government | \$ 3,765,320 | \$ 2,492,630 | \$ 101,408 | \$ 83,199 | (1,413,407) | 325,324 | (1,088,083) | - |
| Component unit: | | | | | | | | |
| Venus Community Services Development Corporation | \$ 149,528 | \$ - | \$ - | \$ - | | | | (149,528) |
| Total component unit | \$ 149,528 | \$ - | \$ - | \$ - | | | | (149,528) |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 1,136,050 | - | 1,136,050 | - |
| Sales taxes | | | | | 322,047 | - | 322,047 | 128,819 |
| Franchise taxes | | | | | 91,214 | - | 91,214 | - |
| Investment earnings | | | | | 7,967 | 1,485 | 9,452 | 1,061 |
| Gain on sale of capital asset | | | | | 14,939 | - | 14,939 | - |
| Miscellaneous | | | | | 26,378 | - | 26,378 | - |
| Total general revenues | | | | | 1,598,595 | 1,485 | 1,600,080 | 129,880 |
| Change in net position | | | | | 185,188 | 326,809 | 511,997 | (19,648) |
| Net position - beginning, as restated | | | | | 4,081,070 | 3,617,370 | 7,698,440 | 255,461 |
| Net position - ending | | | | | \$ 4,266,258 | \$ 3,944,179 | \$ 8,210,437 | \$ 235,813 |

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

CITY OF VENUS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 992,347 | \$ 5,760 | \$ 998,107 |
| Investments | 1,640,551 | - | 1,640,551 |
| Receivables (net of allowance for uncollectibles) | 132,891 | - | 132,891 |
| Due from other governments | 3,380 | - | 3,380 |
| Due from other funds | 26,399 | 22,525 | 48,924 |
| Total assets | \$ 2,795,568 | \$ 28,285 | \$ 2,823,853 |
| LIABILITIES | | | |
| Accounts payable | \$ 110,796 | \$ 94 | \$ 110,890 |
| Accrued payroll payable | 30,386 | - | 30,386 |
| Due to other funds | 22,525 | 1,685 | 24,210 |
| Due to component unit | 251,970 | - | 251,970 |
| Total liabilities | 415,677 | 1,779 | 417,456 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 32,294 | - | 32,294 |
| Total deferred inflow of resources | 32,294 | - | 32,294 |
| FUND BALANCES | | | |
| Restricted: | | | |
| Debt service | - | 2,081 | 2,081 |
| Public safety | 32,048 | 24,425 | 56,473 |
| Public works | 3,531 | - | 3,531 |
| Unassigned | 2,312,018 | - | 2,312,018 |
| Total fund balances | 2,347,597 | 26,506 | 2,374,103 |
| Total liabilities, deferred inflow of resources, and fund balance | \$ 2,795,568 | \$ 28,285 | |
| Amounts reported for governmental activities in the statement of net position (page 12) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | 1,905,078 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | | | 32,294 |
| Deferred outflows of resources are not reported in the governmental funds: | | | |
| Changes in actuarial assumptions | \$ 5,352 | | |
| Pension contributions after measurement date | 60,390 | | |
| Difference in projected and actual earnings on pension assets | 51,458 | | |
| Difference in expected and actual pension experience | 8,508 | | 125,708 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Due within one year | | (59,574) | |
| Due in more than one year | | (42,844) | (102,418) |
| Deferred inflows of resources are not reported in the governmental funds: | | | |
| Difference in expected and actual pension experience | | | (68,507) |
| Net position of governmental activities (page 12) | | | \$ 4,266,258 |

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

CITY OF VENUS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|
| REVENUES | | | |
| Property taxes | \$ 1,137,724 | \$ - | \$ 1,137,724 |
| Sales taxes | 322,047 | - | 322,047 |
| Franchise taxes | 91,214 | - | 91,214 |
| Licenses and permits | 360,122 | - | 360,122 |
| Fines and forfeitures | 104,486 | - | 104,486 |
| Charges for current services | 4,815 | - | 4,815 |
| Investment earnings | 7,967 | - | 7,967 |
| Other | 26,378 | - | 26,378 |
| Intergovernmental | 98,989 | - | 98,989 |
| Contributions and donations | 1,489 | - | 1,489 |
| Total revenues | <u>2,155,231</u> | <u>-</u> | <u>2,155,231</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 649,104 | - | 649,104 |
| Public safety | 875,677 | - | 875,677 |
| Public works | 473,579 | - | 473,579 |
| Debt service: | | | |
| Principal retirement | 18,609 | 28,031 | 46,640 |
| Interest and fiscal charges | 808 | 986 | 1,794 |
| Total expenditures | <u>2,017,777</u> | <u>29,017</u> | <u>2,046,794</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>137,454</u> | <u>(29,017)</u> | <u>108,437</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 140 | 29,017 | 29,157 |
| Transfers out | (29,017) | (140) | (29,157) |
| Debt proceeds | 13,390 | - | 13,390 |
| Proceeds from sale of capital assets | 14,939 | - | 14,939 |
| Total other financing sources (uses) | <u>(548)</u> | <u>28,877</u> | <u>28,329</u> |
| Net change in fund balances | 136,906 | (140) | 136,766 |
| Fund balances - beginning, as restated | <u>2,210,691</u> | <u>26,646</u> | <u>2,237,337</u> |
| Fund balances - ending | <u>\$ 2,347,597</u> | <u>\$ 26,506</u> | <u>\$ 2,374,103</u> |

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

CITY OF VENUS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

| | | |
|--|-------------|------------|
| Net Change in Fund Balances - total governmental funds (page 15) | \$ | 136,766 |
| <p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.</p> | | |
| | | 177,273 |
| <p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.</p> | | |
| | | (124,943) |
| <p>The issuance of long-term debt (e.g. notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| Notes payable issued | \$ (13,390) | |
| Note principal retirement | 6,807 | |
| Capital lease principal retirement | 39,833 | 33,250 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| | | (1,674) |
| <p>Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension amounts.</p> | | |
| Changes in actuarial assumptions | (3,007) | |
| Pension contributions after measurement date | (6,385) | |
| Difference in projected and actual earnings on pension assets | (17,965) | |
| Difference in expected and actual pension experience | 7,122 | (20,235) |
| <p>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 the governmental funds.</p> | | |
| Compensated absences | (26,121) | |
| Net pension liability | 10,872 | (15,249) |
| Change in net position of governmental activities (page 13) | | \$ 185,188 |

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

CITY OF VENUS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2017

| | Business-type Activities - Enterprise (Water and Sewer) Fund |
|--|---|
| | Fund |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 975,962 |
| Receivables (net of allowance for uncollectibles) | 196,302 |
| Due from other governments | 8,422 |
| Due from other funds | 1,685 |
| Total current assets | 1,182,371 |
| Noncurrent assets: | |
| Capital assets (net, where applicable of accumulated depreciation) | 5,001,309 |
| Deposits | 69,706 |
| Total noncurrent assets | 5,071,015 |
| Total assets | 6,253,386 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Changes in actuarial assumptions | 387 |
| Difference in projected and actual earnings on pension assets | 3,718 |
| Difference in expected and actual pension experience | 614 |
| Pension contributions after measurement date | 6,788 |
| Total deferred outflows of resources | 11,507 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 93,975 |
| Accrued payroll payable | 4,663 |
| Due to other funds | 26,399 |
| Customer deposits payable | 83,350 |
| Compensated absences | 7,769 |
| Notes payable | 6,583 |
| Bonds payable | 175,000 |
| Contract payable | 77,500 |
| Accrued interest payable | 57,793 |
| Total current liabilities | 533,032 |
| Noncurrent liabilities: | |
| Net pension liability | 4,816 |
| Bonds payable | 925,000 |
| Contract payable | 852,500 |
| Total noncurrent liabilities | 1,782,316 |
| Total liabilities | 2,315,348 |
| DEFERRED INFLOWS OF RESOURCES | |
| Difference in expected and actual pension experience | 5,366 |
| Total deferred inflows of resources | 5,366 |
| NET POSITION | |
| Net investment in capital assets | 2,964,726 |
| Unrestricted | 979,453 |
| Total net position | \$ 3,944,179 |

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

CITY OF VENUS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2017

| | Business-type Activities - Enterprise (Water and Sewer) Fund |
|---|---|
| | |
| Operating revenues: | |
| Water and sewer service | \$ 1,840,536 |
| Sanitation service | 177,913 |
| Miscellaneous | 4,758 |
| Total operating revenues | 2,023,207 |
| Operating expenses: | |
| Personnel services | 97,728 |
| Sanitation services | 164,126 |
| Utilities | 34,902 |
| Office | 47,713 |
| Parts and supplies | 40,924 |
| Repairs and maintenance | 32,729 |
| Chemicals | 628 |
| Automotive | 11,115 |
| Insurance | 22,199 |
| Water and sewer tests | 4,841 |
| Water contract fees | 889,120 |
| Miscellaneous | 32,786 |
| Capital outlay | 39,671 |
| Depreciation and amortization | 224,253 |
| Total operating expenses | 1,642,735 |
| Operating income | 380,472 |
| Nonoperating revenue (expenses): | |
| Investment earnings | 1,485 |
| Interest and fiscal charges | (92,727) |
| Total nonoperating revenue (expenses) | (91,242) |
| Income before capital contributions | 289,230 |
| Capital contributions | 37,579 |
| Change in net position | 326,809 |
| Net position - beginning, as restated | 3,617,370 |
| Net position - ending | \$ 3,944,179 |

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

CITY OF VENUS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2017

| | Business-type Activities - Enterprise (Water and Sewer) Fund |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 1,974,757 |
| Payments to suppliers | (1,279,815) |
| Payments to employees | (91,864) |
| Net cash provided by (used for) operating activities | 603,078 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Advances from other funds | 24,714 |
| Net cash provided by (used for) noncapital financing activities | 24,714 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital contributions | 29,157 |
| Acquisition and construction of capital assets | (102,069) |
| Note proceeds | 13,390 |
| Principal paid on notes payable | (6,807) |
| Interest paid on notes payable | (162) |
| Principal paid on bond maturities | (172,000) |
| Interest and fiscal charges paid on bonds | (21,824) |
| Principal paid on contract payable | (77,500) |
| Interest paid on contract payable | (55,413) |
| Net cash provided by (used for) capital and related financing activities | (393,228) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 1,485 |
| Net cash provided by investing activities | 1,485 |
| Net increase in cash and cash equivalents | 236,049 |
| Cash and cash equivalents - beginning | 739,913 |
| Cash and cash equivalents - ending | \$ 975,962 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 380,472 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | |
| Depreciation | 224,253 |
| (Increase) decrease in accounts receivable | (19,975) |
| (Increase) decrease in deposits | (3,895) |
| (Increase) decrease in pension related deferred outflows | 641 |
| Increase (decrease) in accounts payable | 44,834 |
| Increase (decrease) in accrued payroll | 1,474 |
| Increase (decrease) in compensated absences | 4,163 |
| Increase (decrease) in customer deposits | (28,475) |
| Increase (decrease) in net pension liability | 773 |
| Increase (decrease) in pension related deferred inflows | (1,187) |
| Total adjustments | 222,606 |
| Net cash provided by (used for) operating activities | \$ 603,078 |

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

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

B. Reporting entity

The City of Venus, Texas (the "City") is a general law municipality and was incorporated in 1904. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

Discretely presented component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and it provides services to the citizens of Venus and the surrounding area as opposed to only the primary government. To emphasize that it is legally separate from the City, it is reported in a separate column in the financial statements.

The *Venus Community Service Development Corporation* (the "Corporation") is responsible for disbursing the one-fourth percent sales tax to be used for economic and industrial development within the City. The members of the Corporation's board are appointed by the City and are comprised of seven directors. At least four of the directors shall be members of the Venus City Council and the remaining three directors shall be persons who are no employees, officers or members of the governing body of the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

Separate financial statements for the Corporation are not issued.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit. The Venus Community Services Development Corporation is considered to be major component unit and is shown in a separate column in the government-wide financial statements.

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

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the sewage collection system, the water distribution system, and sanitation services.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexasTERM.

In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

TexasTERM is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is a fixed-rate, fixed-term portfolio, rated AAAf by Standard & Poor's, that enables investors to lock in a fixed rate for a term of 60 days to 365 days. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

PFM Asset Management LLC is the pool's adviser/administrator. The daily management of the investment affairs and research relating to the pool's portfolios is conducted by or under the supervision of the adviser/administrator. The adviser/administrator is registered under the Investment Advisers Act of 1940.

3. Receivables and allowances for doubtful accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The amount of interest capitalized depends on the specific circumstances. No interest was capitalized during 2017; interest incurred and charged to expense totaled \$92,727.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Capital asset classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| Buildings | 40 |
| Improvements | 5-40 |
| Machinery and equipment | 5-10 |
| Infrastructure | 20-50 |
| Water rights | 37 |

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(continued)**

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan, (2) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan, (3) a deferred outflow of resources related to the difference between expected and actual experience data used by the actuary, and (4) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 2.78 years. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. Deferred outflows for difference in expected and actual pension experience is attributed to pension expense over a total of 1.56 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary. This deferred inflow of resources is attributed to pension expense over a total of 4.45 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. Long-term obligations

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

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

7. Net position flow assumption

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

8. Fund balance flow assumption

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Central Appraisal District of Johnson County as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Johnson County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

4. Proprietary funds operating and nonoperating revenues and expenses

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

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

5. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2017. At year end, the bank balance of the City's deposits was \$3,364,900. Of the bank balance, \$2,004,837 was covered by federal depository insurance and the remaining balance, \$1,360,063 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$1,463,000.

B. Investments

Investments – Acceptable investments under the City's investment policy shall be limited to the following instruments and as further described by the Public Funds Investment Act: (1) obligations of, or guaranteed by governmental entities, (2) certificates of deposit and share certificates, (3) repurchase agreements, (4) banker's acceptances, (5) commercial paper, (6) mutual funds, (7) investment pools, and (8) existing investments of the Government Code and any other investment authorized by the State of Texas for cities.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments (continued)

The State Treasurer's Investment Pools (TexPool and TexasTERM) operate in accordance with state law, which require them to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.F.2, *Investments*, for a discussion of how the shares in the Pools are valued. TexPool and TexasTERM invest in high quality portfolios of debt securities investments legally permissible for municipalities in the state.

| <u>Investment Type</u> | <u>Fair Value</u> |
|-------------------------|---------------------|
| TexPool | \$ 290,563 |
| TexasTERM | 11,739 |
| Certificates of Deposit | 1,640,551 |
| | <u>\$ 1,942,853</u> |

Generally, *credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2017, the City's investment in both TexPool and TexasTERM are rated AAAM by Standard & Poor's.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool and TexasTERM are considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and water and sewer funds, including the applicable allowances for uncollectible accounts:

| <u>Receivables:</u> | <u>General</u> | <u>Water and Sewer</u> | <u>Total</u> |
|------------------------------------|-------------------|----------------------------|-------------------|
| Taxes | \$ 138,177 | \$ - | \$ 138,177 |
| Accounts | - | 239,107 | 239,107 |
| Gross receivables | 138,177 | 239,107 | 377,284 |
| Less: allowance for uncollectibles | (5,286) | (42,805) | (48,091) |
| Net total receivables | <u>\$ 132,891</u> | <u>\$ 196,302</u> | <u>\$ 329,193</u> |

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Capital assets

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

Governmental activities:

| | Beginning | | | Ending |
|--|---------------------|------------------|------------------|---------------------|
| | Balance | Increases | Decreases | Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 461,932 | \$ - | \$ - | \$ 461,932 |
| Construction in progress | - | 12,565 | - | 12,565 |
| Total capital assets not being depreciated | <u>461,932</u> | <u>12,565</u> | <u>-</u> | <u>474,497</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 563,192 | - | - | 563,192 |
| Machinery and equipment | 950,473 | 79,987 | - | 1,030,460 |
| Infrastructure | 1,223,549 | 84,721 | - | 1,308,270 |
| Totals capital assets being depreciated | <u>2,737,214</u> | <u>164,708</u> | <u>-</u> | <u>2,901,922</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (333,805) | (12,470) | - | (346,275) |
| Machinery and equipment | (681,136) | (46,744) | - | (727,880) |
| Infrastructure | (331,457) | (65,729) | - | (397,186) |
| Total accumulated depreciation | <u>(1,346,398)</u> | <u>(124,943)</u> | <u>-</u> | <u>(1,471,341)</u> |
| Total capital assets, being depreciated, net | <u>1,390,816</u> | <u>39,765</u> | <u>-</u> | <u>1,430,581</u> |
| Governmental activities capital assets, net | <u>\$ 1,852,748</u> | <u>\$ 52,330</u> | <u>\$ -</u> | <u>\$ 1,905,078</u> |

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 15,546 |
| Public safety | 26,996 |
| Public works | 82,401 |
| Total depreciation expense - governmental activities | <u>\$ 124,943</u> |

The construction in progress consists of park improvements.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Capital assets (continued)

Business-type activities:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 25,270 | \$ - | \$ - | \$ 25,270 |
| Construction in progress | - | 49,794 | - | 49,794 |
| Total capital assets not being depreciated | <u>25,270</u> | <u>49,794</u> | <u>-</u> | <u>75,064</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 71,099 | - | - | 71,099 |
| Improvements | 6,152,031 | 20,712 | - | 6,172,743 |
| Machinery and equipment | 153,636 | 31,563 | - | 185,199 |
| Water rights | 2,014,700 | - | - | 2,014,700 |
| Total capital assets being depreciated | <u>8,391,466</u> | <u>52,275</u> | <u>-</u> | <u>8,443,741</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (7,110) | (1,777) | - | (8,887) |
| Improvements | (2,460,242) | (122,527) | - | (2,582,769) |
| Machinery and equipment | (132,678) | (9,890) | - | (142,568) |
| Water rights | (693,213) | (90,059) | - | (783,272) |
| Total accumulated depreciation | <u>(3,293,243)</u> | <u>(224,253)</u> | <u>-</u> | <u>(3,517,496)</u> |
| Total capital assets being depreciated, net | <u>5,098,223</u> | <u>(171,978)</u> | <u>-</u> | <u>4,926,245</u> |
| Business-type capital assets, net | <u>\$ 5,123,493</u> | <u>\$ (122,184)</u> | <u>\$ -</u> | <u>\$ 5,001,309</u> |

The construction in progress consists of water and sewer system improvements.

E. Construction and other significant commitments

Construction Commitments The City has active construction projects as of September 30, 2017. The projects include park and water and sewer system improvements. At year end, the City's commitments with contractors are as follows:

| Project | Spent-to-date | Commitment Remaining |
|-------------------------------------|----------------------|---------------------------------|
| Park improvements | \$ 6,605 | \$ 103,801 |
| Water and sewer system improvements | 41,952 | 275,125 |
| | <u>\$ 48,557</u> | <u>\$ 378,926</u> |

The park improvements project is a commitment of the City's general fund. This project is being funded by a grant and operating revenues. The water and sewer system improvements project is a commitment of the City's enterprise fund. This project is being funded by a grant and operating revenues.

CITY OF VENUS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Construction and other significant commitments (continued)

Raw Water The City has entered into a contract with the City of Midlothian, Texas ("Midlothian") whereby Midlothian agrees to sell raw water to the City. The contract requires the City to purchase a minimum amount of water on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of thirty five years commencing January 4, 2005 and ending January 1, 2040. A current schedule of estimated future contractual payments due Midlothian is shown below:

| <u>Future Period</u> | <u>Annual Payment</u> |
|----------------------|---------------------------|
| 2018 | \$ 514,650 |
| 2019 | 576,700 |
| 2020 | 636,195 |
| 2021 | 679,338 |
| 2022 | 717,937 |
| Thereafter | <u>22,089,377</u> |
| | <u>\$25,214,197</u> |

Actual payments for the year ended September 30, 2017 were \$463,879.

Wastewater Treatment On December 1, 2009, the City has entered into a contract with the Trinity River Authority ("Authority") - Mountain Creek Regional Wastewater System ("System") to obtain wastewater treatment services in effect for the entire useful life of the System. The City is obligated to pay minimum fees of the System's annual operation and maintenance costs equivalent to 61.32 million gallons of flow.

Actual payments for the year ended September 30, 2017 were \$425,242.

Complete separate financial statements for TRA may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76018.

F. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Long-term liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding and reported as liabilities on the City's business-type activities are:

| <u>Series</u> | <u>Issue Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Year-end Balances</u> |
|------------------|---------------------|----------------------|----------------------|--------------------------|
| 2016 - Refunding | \$ 1,272,000 | 02/15/23 | 1.84% | <u>\$ 1,100,000</u> |

Contract Payable

On October 28, 2009, the City entered into a contract with Trinity River Authority (TRA) to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City agreed to a system contribution buy-in amount of \$1,550,000 payable in 20 annual installments of \$77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, based upon flow rates of the current year and each subsequent year. At September 30, 2017, the contract payable currently outstanding and reported as liabilities on the City's business-type activities is \$930,000 of which \$77,500 is due within one year.

Notes Payable

Notes payable currently outstanding and reported as liabilities on the City's governmental activities are:

| <u>Note Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Year-end Balances</u> | <u>Collateral</u> |
|--------------------|----------------------|----------------------|--------------------------|-------------------|
| \$ 13,390 | 02/28/18 | 5.874% | <u>\$ 6,583</u> | Equipment |

Notes payable currently outstanding and reported as liabilities on the City's business-type activities are:

| <u>Note Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Year-end Balances</u> | <u>Collateral</u> |
|--------------------|----------------------|----------------------|--------------------------|-------------------|
| \$ 13,390 | 02/28/18 | 5.874% | <u>\$ 6,583</u> | Equipment |

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Long-term liabilities (continued)

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Sewer Fund based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2017 are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Notes payable | \$ - | \$ 13,390 | \$ (6,807) | \$ 6,583 | \$ 6,583 |
| Capital lease payable | 39,833 | - | (39,833) | - | - |
| Compensated absences | 26,870 | 44,579 | (18,458) | 52,991 | 52,991 |
| Net pension liability | 53,716 | - | (10,872) | 42,844 | - |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 120,419</u> | <u>\$ 57,969</u> | <u>\$ (75,970)</u> | <u>\$ 102,418</u> | <u>\$ 59,574</u> |

Governmental notes payable, capital lease payable, compensated absences and net pension liability will be liquidated by the general fund.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| General obligation bonds | \$ 1,272,000 | \$ - | \$ (172,000) | \$ 1,100,000 | \$ 175,000 |
| Contract payable | 1,007,500 | - | (77,500) | 930,000 | 77,500 |
| Notes payable | - | 13,390 | (6,807) | 6,583 | 6,583 |
| Compensated absences | 3,606 | 9,929 | (5,766) | 7,769 | 7,769 |
| Net pension liability | 4,043 | 773 | - | 4,816 | - |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 2,287,149</u> | <u>\$ 24,092</u> | <u>\$ (262,073)</u> | <u>\$ 2,049,168</u> | <u>\$ 266,852</u> |

General obligation bonds, contract payable, notes payable, compensated absences, and net pension liability issued for business-type activities are repaid from those activities.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Long-term liabilities (continued)

The debt service requirements for the City's bonds, notes and contract payable are as follows:

| Year Ending September 30 | Business-Type Activities | | | |
|-------------------------------------|---------------------------------|------------------|-------------------------|-------------------|
| | General Obligation Bonds | | Contract Payable | |
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 175,000 | \$ 18,630 | \$ 77,500 | \$ 51,150 |
| 2019 | 178,000 | 15,382 | 77,500 | 46,888 |
| 2020 | 182,000 | 12,070 | 77,500 | 42,625 |
| 2021 | 185,000 | 8,694 | 77,500 | 38,363 |
| 2022 | 188,000 | 5,262 | 77,500 | 34,100 |
| 2023-2027 | 192,000 | 1,766 | 465,000 | 115,088 |
| 2028-2032 | - | - | 77,500 | 4,263 |
| | <u>\$ 1,100,000</u> | <u>\$ 61,804</u> | <u>\$ 930,000</u> | <u>\$ 332,477</u> |

| Year Ending September 30 | Governmental Activities | | Business-Type Activities | |
|-------------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| | Note Payable | | Note Payable | |
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 6,583 | \$ 386 | \$ 6,583 | \$ 386 |
| | <u>\$ 6,583</u> | <u>\$ 386</u> | <u>\$ 6,583</u> | <u>\$ 386</u> |

H. Interfund receivables and payables

The composition of interfund balances as of September 30, 2017 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------|----------------------------|----------------------|
| General | Water and sewer | \$ 26,399 |
| Other Governmental | General | 22,525 |
| Water and sewer | Other Governmental | 1,685 |
| | | <u>\$ 50,609</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF VENUS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Interfund transfers

The composition of interfund transfers as of September 30, 2017 is as follows:

| | Transfer In: | | |
|--------------------|--------------|-----------------------|-----------|
| Transfer out: | General | Other Governmental | Total |
| General | \$ - | \$ 29,017 | \$ 29,017 |
| Other Governmental | 140 | - | 140 |
| | \$ 140 | \$ 29,017 | \$ 29,157 |

Transfers were primarily used to:

- Move funds from the General Fund to the Debt Service Fund for payment of leases payable.

J. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

K. Subsequent events

Subsequent to year end, the City approved the following item:

- Contracts for park improvements in the amount of \$191,283.

L. Related party transactions

The significant transactions between the component unit and primary government during the year ended September 30, 2017 consisted of contributions in the amount of \$46,551 toward the cost of projects being undertaken by the City.

The City also received on-behalf payments from the Venus Community Services Development Corporation to be used for the City's Economic Development Director's salary and benefits. The on-behalf payments to the City for the fiscal year ended September 30, 2017 consisted of \$9,534. Such payments are recorded as intergovernmental revenue and general government expenses/expenditures in the government-wide and general fund financial statements.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Prior period adjustment

Corrections have been made to the governmental activities and business-type activities beginning net position in the government-wide financial statements, and general fund beginning fund balance and water and sewer fund beginning net position in the fund financial statements due to an overstatement/understatement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance. The changes to the beginning net position and fund balance as of October 1, 2016 are summarized as follows:

| | Government-wide Financial Statements | |
|--|---|-------------------------------------|
| | Governmental Activities | Business-type Activities |
| As previously reported, October 1, 2016 | \$ 4,254,850 | \$ 3,613,053 |
| Overstatement of cash and cash equivalents | (132,799) | - |
| Overstatement of investments | (107,403) | - |
| Understatement of receivable, net of allowance | 128,769 | 13,112 |
| Understatement of deposits | - | 42,954 |
| Understatement of capital assets | 159,399 | - |
| Understatement of changes in actuarial assumptions | 8,359 | 604 |
| Overstatement of pension contributions after measurement date | (29,977) | (2,459) |
| Understatement/(Overstatement) of difference in projected and actual earnings on pension assets | 197 | (197) |
| Overstatement of difference in expected and actual experience | (8,526) | (437) |
| Understatement of accounts payable | (142,646) | - |
| Understatement of accrued payroll payable | (23,897) | (3,189) |
| Understatement of due to other government | (22,951) | - |
| Understatement of compensated absences payable | (26,870) | (3,606) |
| Understatement of accrued interest payable | - | (42,465) |
| Overstatement of deferred revenue | 24,565 | - |
| Restated, October 1, 2016 | <u>\$ 4,081,070</u> | <u>\$ 3,617,370</u> |
| Effect of restatement on operations for the year ending September 30, 2016 | <u>\$ (173,780)</u> | <u>\$ 4,317</u> |

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Prior period adjustment (continued)

| | Fund Financial Statements | | |
|---|----------------------------------|-------------------------------|---------------------------------|
| | General Fund | Other Governmental | Water and Sewer Fund |
| As previously reported, October 1, 2016 | \$ 2,305,928 | \$ 241,739 | \$ 3,613,053 |
| Overstatement of cash and cash equivalents | - | (132,799) | - |
| Overstatement of investments | - | (107,403) | - |
| Understatement of receivable, net of allowance | 128,769 | - | 13,112 |
| Understatement of deposits | - | - | 42,954 |
| Understatement of changes in actuarial assumptions | - | - | 604 |
| Overstatement of pension contributions after measurement date | - | - | (2,459) |
| Overstatement of difference in projected and actual earnings on pension assets | - | - | (197) |
| Overstatement of difference in expected and actual experience | - | - | (437) |
| Understatement/(Overstatement) of accounts payable | (143,190) | 544 | - |
| Understatement of accrued payroll payable | (23,897) | - | (3,189) |
| Understatement of due to other government | (22,951) | - | - |
| Understatement/(Overstatement) of deferred revenue | (33,968) | 24,565 | - |
| Understatement of accrued interest payable | - | - | (42,465) |
| Understatement of compensated absences payable | - | - | (3,606) |
| Restated, October 1, 2016 | <u>\$ 2,210,691</u> | <u>\$ 26,646</u> | <u>\$ 3,617,370</u> |
| Effect of restatement on operations for the year ending September 30, 2016 | <u>\$ (95,237)</u> | <u>\$ (215,093)</u> | <u>\$ 4,317</u> |

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEFINED BENEFIT PLAN

A. Plan description

The City of Venus, Texas 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.

B. Benefits provided

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

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

| | <u>Plan Provisions</u> |
|----------------------------------|------------------------------|
| Employee deposit rate | 7% |
| Municipal current matching ratio | 2 - 1 |
| Updated service credits: | |
| Rate (%) | 100 |
| Year effective | 2007R |
| Increase benefits to retirees: | |
| Rate (%) | 70 |
| Year effective | 2010R |
| Vesting | 5 yrs |
| Service retirement eligibilities | 5 yrs/age 60, 25 yrs/any age |
| Supplemental death benefits: | |
| Employees | No |
| Retirees | No |
| Statutory maximum (%) | 13.5 |

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEFINED BENEFIT PLAN (continued)

B. Benefits provided (continued)

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

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

| | |
|--|----------|
| Inactive employees or beneficiaries currently receiving benefits | 9 |
| Inactive employees entitled to but not yet receiving benefits | 15 |
| Active employees | 18 |
| | <hr/> 42 |

C. 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 of Venus, Texas were required to contribute 10.35% of their annual gross earnings during the fiscal year. The contribution rates for the City of Venus, Texas were 10.35% and 10.90% for calendar year 2017 and 11.05% for calendar year 2016. The City's contributions to TMRS for the year ended September 30, 2017, were \$76,289, and were equal to the required contributions.

D. 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.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEFINED BENEFIT PLAN (continued)

D. Net pension liability (continued)

Actuarial assumptions

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

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. 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.

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.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEFINED BENEFIT PLAN (continued)

D. Net pension liability (continued)

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, the actuary 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:

| Asset Class | Target Allocation | Long-Term Expected |
|-----------------------|--------------------------|---------------------------|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.35% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 4.15% |
| Real Return | 10.0% | 4.15% |
| Real Estate | 10.0% | 4.75% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 7.75% |
| Total | 100% | |

Discount Rate

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

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEFINED BENEFIT PLAN (continued)

D. Net pension liability (continued)

Changes in the Net Pension Liability

| | <u>Increase (Decrease)</u> | | |
|---|----------------------------|----------------------------|-------------------------|
| | <u>Total</u> | <u>Plan</u> | <u>Net Pension</u> |
| | <u>Pension</u> | <u>Fiduciary</u> | <u>(Asset)</u> |
| | <u>Liability</u> | <u>Net Position</u> | <u>Liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balance at 12/31/2015 | \$ 1,269,226 | \$ 1,211,467 | \$ 57,759 |
| Changes for the year: | | | |
| Service cost | 147,811 | - | 147,811 |
| Interest | 88,713 | - | 88,713 |
| Changes of benefit terms | 6,433 | - | 6,433 |
| Difference between expected and actual experience | (14,918) | - | (14,918) |
| Contributions - employer | - | 96,357 | (96,357) |
| Contributions - employee | - | 61,043 | (61,043) |
| Net investment income | - | 81,713 | (81,713) |
| Benefit payments, including refunds of employee contributions | (70,599) | (70,599) | - |
| Administrative expense | - | (925) | 925 |
| Other | - | (50) | 50 |
| Net Changes | <u>157,440</u> | <u>167,539</u> | <u>(10,099)</u> |
| Balance at 12/31/2016 | <u>\$ 1,426,666</u> | <u>\$ 1,379,006</u> | <u>\$ 47,660</u> |

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

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

| | <u>1.0% Decrease in</u> | | <u>1.0% Increase in</u> |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>Discount Rate (5.75%)</u> | <u>Discount Rate (6.75%)</u> | <u>Discount Rate (7.75%)</u> |
| City's net pension liability (asset) | \$ 244,929 | \$ 47,660 | \$ (113,030) |

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$7,245.

CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEFINED BENEFIT PLAN (continued)

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

For the year ended September 30, 2017, the City recognized pension expense of \$101,525.

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

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|--|---|
| Changes in assumption | \$ 5,739 | \$ - |
| Contributions subsequent to the measurement date | 67,178 | - |
| Difference between projected and actual investment earnings | 55,176 | - |
| Differences between expected and actual economic experience | 9,122 | 73,873 |
| Total | <u>\$ 137,215</u> | <u>\$ 73,873</u> |

\$67,178 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31</u> | |
|--------------------------------------|-------------------|
| 2017 | \$ (6,688) |
| 2018 | (8,820) |
| 2019 | 13,169 |
| 2020 | <u>(1,497)</u> |
| | <u>\$ (3,836)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

These supplementary schedules are included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

CITY OF VENUS, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2017

| | Budgeted Amounts | | Actual GAAP Basis | Adjustments Budget Basis | Actual Budget Basis | Variance with Final Budget - Over (Under) Budget |
|--|-----------------------------|--------------------------|----------------------------------|---|------------------------------------|---|
| | Original Amounts | Final Amounts | | | | |
| REVENUES | | | | | | |
| Property taxes | \$ 1,077,467 | \$ 1,077,467 | \$ 1,137,724 | \$ (11,565) | \$ 1,126,159 | \$ 48,692 |
| Sales taxes | 400,000 | 400,000 | 322,047 | (5,254) | 316,793 | (83,207) |
| Franchise taxes | 95,000 | 95,000 | 91,214 | 1,777 | 92,991 | (2,009) |
| Licenses and permits | 107,500 | 107,500 | 360,122 | - | 360,122 | 252,622 |
| Fines and forfeitures | 261,000 | 261,000 | 104,486 | (825) | 103,661 | (157,339) |
| Charges for current services | 2,000 | 2,000 | 4,815 | - | 4,815 | 2,815 |
| Investment earnings | 6,000 | 6,000 | 7,967 | - | 7,967 | 1,967 |
| Other | 37,000 | 37,000 | 26,378 | - | 26,378 | (10,622) |
| Intergovernmental | 54,491 | 54,491 | 98,989 | (13,503) | 85,486 | 30,995 |
| Contributions and donations | - | - | 1,489 | - | 1,489 | 1,489 |
| Total revenues | <u>2,040,458</u> | <u>2,040,458</u> | <u>2,155,231</u> | <u>(29,370)</u> | <u>2,125,861</u> | <u>85,403</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 804,283 | 769,467 | 649,104 | 141,622 | 790,726 | 21,259 |
| Public safety: | | | | | | |
| Police | 761,606 | 764,206 | 712,009 | (6,188) | 705,821 | (58,385) |
| Municipal court | 241,205 | 270,159 | 163,668 | (5,330) | 158,338 | (111,821) |
| Public works | 476,636 | 541,636 | 473,579 | (2,935) | 470,644 | (70,992) |
| Debt service: | | | | | | |
| Principal retirement | - | - | 18,609 | - | 18,609 | 18,609 |
| Interest and fiscal charges | - | - | 808 | - | 808 | 808 |
| Total debt service | - | - | <u>19,417</u> | <u>-</u> | <u>19,417</u> | <u>19,417</u> |
| Total expenditures | <u>2,283,730</u> | <u>2,345,468</u> | <u>2,017,777</u> | <u>127,169</u> | <u>2,144,946</u> | <u>(200,522)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(243,272)</u> | <u>(305,010)</u> | <u>137,454</u> | <u>(156,539)</u> | <u>(19,085)</u> | <u>285,925</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | 140 | - | 140 | 140 |
| Transfers out | (6,695) | (35,712) | (29,017) | - | (29,017) | 6,695 |
| Debt proceeds | - | - | 13,390 | - | 13,390 | 13,390 |
| Sale of capital assets | - | - | 14,939 | - | 14,939 | 14,939 |
| Total other financing sources and uses | <u>(6,695)</u> | <u>(35,712)</u> | <u>(548)</u> | <u>-</u> | <u>(548)</u> | <u>35,164</u> |
| Net change in fund balance | <u>\$ (249,967)</u> | <u>\$ (340,722)</u> | <u>\$ 136,906</u> | <u>\$ (156,539)</u> | <u>\$ (19,633)</u> | <u>\$ 321,089</u> |

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget for the general fund is adopted on the modified accrual basis. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF VENUS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

| | 2014 | 2015 | 2016 |
|---|---------------------|---------------------|---------------------|
| Total pension liability | | | |
| Service Cost | \$ 88,650 | \$ 122,666 | \$ 147,811 |
| Interest (on the Total Pension Liability) | 80,660 | 91,101 | 88,713 |
| Changes of benefit terms | - | - | 6,433 |
| Difference between expected and actual experience | 57,782 | (132,315) | (14,918) |
| Changes of assumptions | - | 12,187 | - |
| Benefit payments, including refunds of employee contributions | (60,851) | (129,047) | (70,599) |
| Net Change in Total Pension Liability | 166,241 | (35,408) | 157,440 |
| Total Pension Liability - Beginning | 1,138,393 | 1,304,634 | 1,269,226 |
| Total Pension Liability - Ending (a) | \$ 1,304,634 | \$ 1,269,226 | \$ 1,426,666 |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 61,240 | \$ 83,505 | \$ 96,357 |
| Contributions - Employee | 46,611 | 51,820 | 61,043 |
| Net Investment Income | 62,682 | 1,777 | 81,713 |
| Benefit payments, including refunds of employee contributions | (60,851) | (129,047) | (70,599) |
| Administrative Expense | (654) | (1,083) | (925) |
| Other | (54) | (53) | (50) |
| Net Change in Plan Fiduciary Net Position | 108,974 | 6,919 | 167,539 |
| Plan Fiduciary Net Position - Beginning | 1,095,574 | 1,204,548 | 1,211,467 |
| Plan Fiduciary Net Position - Ending (b) | \$ 1,204,548 | \$ 1,211,467 | \$ 1,379,006 |
| | | | |
| Net Pension Liability - Ending (a) - (b) | \$ 100,086 | \$ 57,759 | \$ 47,660 |
| | | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 92.33% | 95.45% | 96.66% |
| | | | |
| Covered Employee Payroll | 665,869 | 740,288 | 872,040 |
| | | | |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 15.03% | 7.80% | 5.47% |

Notes to Schedule:

N/A

CITY OF VENUS, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

| | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|
| Actuarially Determined Contribution | \$ 61,240 | \$ 90,452 | \$ 91,937 |
| Contributions in relation to the actuarially determined contribution | 61,240 | 90,452 | 91,937 |
| Contribution deficiency (excess) | - | - | - |
| Covered employee payroll | 665,869 | 815,090 | 850,004 |
| Contributions as a percentage of covered employee payroll | 9.20% | 11.10% | 10.82% |

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 27 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

Other Information:

Notes Adopted 20 year, any age retirement eligibility

Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Grant Fund - This fund is used to account for the proceeds of grants that are restricted to expenditures for specified purposes.

Debt service fund is used to account for the accumulation of financial resources for, and the payment of, general long term debt principal, interest and related costs arising from the issuance of debt. The revenue source is principally ad valorem tax levied by the City.

CITY OF VENUS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

| | <u>Special Revenue Fund Grant</u> | <u>Debt Service</u> | <u>Total Nonmajor Governmental Funds</u> |
|-------------------------------------|---|-------------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,679 | \$ 2,081 | \$ 5,760 |
| Due from other funds | 22,525 | - | 22,525 |
| Total assets | <u>\$ 26,204</u> | <u>\$ 2,081</u> | <u>\$ 28,285</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 94 | \$ - | \$ 94 |
| Due to other funds | 1,685 | - | 1,685 |
| Total liabilities | <u>1,779</u> | <u>-</u> | <u>1,779</u> |
| FUND BALANCES | | | |
| Restricted: | | | |
| Debt service | - | 2,081 | 2,081 |
| Public safety | 24,425 | - | 24,425 |
| Total fund balances | <u>24,425</u> | <u>2,081</u> | <u>26,506</u> |
| Total liabilities and fund balances | <u>\$ 26,204</u> | <u>\$ 2,081</u> | <u>\$ 28,285</u> |

CITY OF VENUS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

| | Special Revenue Fund Grant | Debt Service | Total Nonmajor Governmental Funds |
|--|---|-------------------------|--|
| REVENUES | \$ - | \$ - | \$ - |
| EXPENDITURES | | | |
| Debt service: | | | |
| Principal retirement | - | 28,031 | 28,031 |
| Interest and fiscal charges | - | 986 | 986 |
| Total expenditures | - | 29,017 | 29,017 |
| Excess (deficiency) of revenues over (under) expenditures | - | (29,017) | (29,017) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 29,017 | 29,017 |
| Transfers out | (140) | - | (140) |
| Total other financing sources (uses) | (140) | 29,017 | 28,877 |
| Net change in fund balances | (140) | - | (140) |
| Fund balances - beginning | 24,565 | 2,081 | 26,646 |
| Fund balances - ending | \$ 24,425 | \$ 2,081 | \$ 26,506 |

Proprietary Fund

Enterprise Fund

The City's water and sewer utility operations and sanitation services are accounted for in this fund.

CITY OF VENUS, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER AND SEWER
For the Fiscal Year Ended September 30, 2017

| | Budgeted Amounts | | Actual GAAP Basis | Adjustments Budget Basis | Actual Budget Basis | Variance with Final Budget |
|---|-----------------------------|--------------------------|----------------------------------|---|------------------------------------|---|
| | Original Amounts | Final Amounts | | | | |
| Operating revenues: | | | | | | |
| Water and sewer service | \$ 1,553,450 | \$ 1,553,450 | \$ 1,840,536 | \$ (21,975) | \$ 1,818,561 | \$ 265,111 |
| Sanitation service | 165,000 | 165,000 | 177,913 | 4,179 | 182,092 | 17,092 |
| Miscellaneous | 25,000 | 25,000 | 4,758 | - | 4,758 | (20,242) |
| Total operating revenues | <u>1,743,450</u> | <u>1,743,450</u> | <u>2,023,207</u> | <u>(17,796)</u> | <u>2,005,411</u> | <u>261,961</u> |
| Operating expenses: | | | | | | |
| Personnel services | 90,564 | 115,073 | 97,728 | (5,862) | 91,866 | (23,207) |
| Sanitation services | 150,000 | 150,000 | 164,126 | 11,661 | 175,787 | 25,787 |
| Utilities | 37,000 | 37,000 | 34,902 | - | 34,902 | (2,098) |
| Office | 125,490 | 96,781 | 47,713 | 5,875 | 53,588 | (43,193) |
| Parts and supplies | 54,500 | 54,500 | 40,924 | 4,637 | 45,561 | (8,939) |
| Repairs and maintenance | 29,500 | 29,500 | 32,729 | - | 32,729 | 3,229 |
| Chemicals | 2,500 | 2,500 | 628 | - | 628 | (1,872) |
| Automotive | 15,000 | 15,000 | 11,115 | - | 11,115 | (3,885) |
| Insurance | 27,726 | 31,926 | 22,199 | - | 22,199 | (9,727) |
| Water and sewer tests | 5,600 | 5,600 | 4,841 | - | 4,841 | (759) |
| Water contract fees | 969,557 | 969,557 | 889,120 | 136,808 | 1,025,928 | 56,371 |
| Miscellaneous | 6,000 | 78,750 | 32,786 | 500 | 33,286 | (45,464) |
| Capital outlay | 76,690 | 76,690 | 39,671 | 91,058 | 130,729 | 54,039 |
| Depreciation and amortization | - | - | 224,253 | (224,253) | - | - |
| Total operating expenses | <u>1,590,127</u> | <u>1,662,877</u> | <u>1,642,735</u> | <u>20,424</u> | <u>1,663,159</u> | <u>282</u> |
| Operating income (loss) | <u>153,323</u> | <u>80,573</u> | <u>380,472</u> | <u>(38,220)</u> | <u>342,252</u> | <u>261,679</u> |
| Nonoperating revenue (expenses): | | | | | | |
| Investment earnings | 500 | 500 | 1,485 | - | 1,485 | 985 |
| Principal, interest and fiscal charges | (387,645) | (387,645) | (92,727) | (101,257) | (193,984) | 193,661 |
| Total nonoperating revenue (expenses) | <u>(387,145)</u> | <u>(387,145)</u> | <u>(91,242)</u> | <u>(101,257)</u> | <u>(192,499)</u> | <u>194,646</u> |
| Income (loss) before capital contributions and transfers | <u>(233,822)</u> | <u>(306,572)</u> | <u>289,230</u> | <u>(139,477)</u> | <u>149,753</u> | <u>456,325</u> |
| Capital contributions | - | - | 37,579 | 4,967 | 42,546 | 42,546 |
| Transfer in | 233,822 | 233,822 | - | - | - | (233,822) |
| Change in net position | <u>\$ -</u> | <u>\$ (72,750)</u> | <u>\$ 326,809</u> | <u>\$ (134,510)</u> | <u>\$ 192,299</u> | <u>\$ 265,049</u> |