

CITY OF EAGLE PASS, TEXAS

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Financial and Compliance Report on Federal and State Grants  
For Fiscal Year Ended September 30, 2017



Prepared and issued by the:

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CITY OF EAGLE PASS, TEXAS

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# CITY OF EAGLE PASS, TEXAS

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of City Council  
City of Eagle Pass, Texas

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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

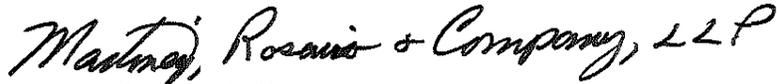
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, Budgetary Comparison Information for the General Fund on page 74, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions and Notes to Schedule of Contributions on pages 75 – 76, 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's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Requires by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Martinez, Rosario & Company, LLP

Certified Public Accountants

San Antonio, Texas

March 30, 2018

**City of Eagle Pass, Texas**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended September 30, 2017**

On behalf of the City of Eagle Pass' management team, we are pleased to provide an overview of the financial activities of the City for the fiscal year ended September 30, 2017. The intended purpose of this MD&A is to provide an introduction to the basic financial statements and notes to the financial statements in an easy to read format, analyzing our financial activities and which will help to determine if the City's financial position has improved or deteriorated over the past year. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-viii of this report. When referring to prior year data in this analysis, we included information from last year's audited financial reports.

***FINANCIAL HIGHLIGHTS***

**Government-wide**

- The net position and deferred outflows of resources of the City of Eagle Pass exceeded its liabilities by \$163 million, an increase of \$4.1 million from last year. Governmental activities increased by \$3.9 million and the business-type activities increased \$0.2 million.

**Fund Level**

- The Governmental Funds report a combined deficiency of revenues over expenditures of \$(8.6) million of which \$(5.2) million is in the General Fund, \$(0.4) million is in the Debt Service Fund, and \$(3.0) million is in the Other Governmental Funds. The deficiency in the General Fund and Other Funds are financed by budgeted operating transfers while the deficiency in Other Governmental Funds is attributed to capital improvement expenditures financed through previously issued certificates of obligation.
- The City's Governmental Funds reported a combined fund balance of \$21.5 million, a decrease of \$1.6 million from last fiscal year. Within the combined fund balance total, \$0.9 million is Restricted for Room Tax, \$4.75 million is Restricted for Construction, \$8.9 million is Committed for Other Purposes and \$0.2 million is Restricted for Other purposes. The \$6.7 million in unassigned balance is available for spending at the City's discretion. Amounts restricted or committed are only available for specific purposes and are not available for new spending.
- The General Fund reported a fund balance of \$6.7 million, which is an increase of \$0.1 million from last fiscal year. The fund balance was determined by the City's Fund Balance Policy which caps the General Fund balance at 30% of the subsequent year's adopted budget and requires all excess to be transferred to the Capital Replacement Fund.

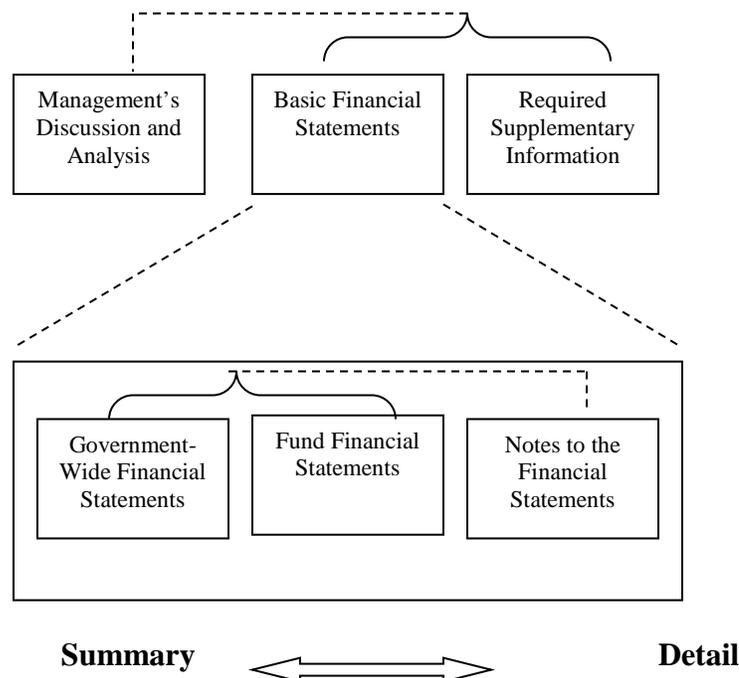
## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

This annual report consists of four parts (1) Management’s Discussion and Analysis (this section), (2) the basic financial statements, (3) required supplementary information, and (4) an optional section that presents combining statements for non-major Enterprise Funds and Internal Service Funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of City government, reporting the City’s operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required statements, we have included a section with combining statements that provide details about our non-major Enterprise Funds and Internal Service Funds, each of which are added together and presented in single columns in the basic financial statements.

**Figure A-1**  
**Required Components of**  
**City of Eagle Pass’s Annual Financial Reports**



Below is a summary of the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of the overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

### **Government-Wide Financial Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net position* includes all of the government's assets (what the City owns), liabilities (what the City owes), and deferred outflows of resources with the difference reported as net position. All of the current year's revenues, expenses, and changes in net position are accounted for in the *statements of activities* regardless of when cash is received or paid, that is on the accrual basis.

The two government-wide statements (*statement of net position* and *statement of activities*) report the City's net position and changes in net position. Net position, the difference between the City's assets, liabilities, and deferred inflows/outflows of resources is one way to measure the City's financial health, or position

- Over time, increases or decreases in the City's net position may serve as an indicator of whether its financial position is improving or deteriorating.
- To assess the overall financial position of the City, one needs to consider additional non-financial factors such as changes in the City's property tax base, level of the economy, especially the local one, and international bridge crossings.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* - Most of the City's basic services are included here, such as general government, health and welfare, public safety, highways and streets, culture and recreation, and economic development and assistance. Property taxes, sales taxes, occupancy taxes, franchise taxes, state grants and transfers from business-type activities and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to cover the costs of certain services it provides. The City's Water and Sewer System Refuse Collection Operations, Landfill Operation, International Bridge System, and Municipal Facilities are included here.

## Fund Financial Statements

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

- Some funds are established because they are required by City Charter, state law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or show that it is properly using certain taxes and grants (like aid from the Texas Water Development Board).

The City has three kinds of funds:

- *Governmental funds*- Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the governmental funds statement, a reconciliation presented on the subsequent page that explains the relationship (of differences) between the governmental fund statements and the government-wide statements.
- *Proprietary funds*- Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statement, provide both long - and short-term financial information.
  - In fact, the City Enterprise Funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The City uses an Internal Service Fund (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities - such as the city's Dental Services.
- *Fiduciary funds*- The City's fiduciary funds consist of various Agency Funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations; essentially they belong to someone else.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined government-wide net position at year end was \$163 million.

### CITY OF EAGLE PASS' NET POSITION (in thousands)

	2017			2016			Total Increase (Decrease)
	Activities		Total 2017	Activities		Total 2016	
	Governmental	Business-type		Governmental	Business-type		
Current and Other Assets	\$ 25,089	42,959	68,048	\$ 23,403	\$ 26,071	\$ 49,474	\$ 18,575
Capital Assets	42,069	139,500	181,569	41,778	140,781	182,559	(990)
Total Assets	\$ 67,158	182,460	249,618	65,181	166,852	232,033	17,585
Total Deferred Outflows of Resources	2,680	1,092	3,772	3,369	1,302	4,671	(900)
Total Assets Plus Deferred Outflows of Resources	\$ 69,837	183,552	253,389	\$ 68,550	\$ 168,154	\$ 236,704	\$ 16,685
Long Term Liabilities	37,241	40,526	77,767	\$ 39,412	\$ 26,368	\$ 65,780	\$ 11,987
Other Liabilities	4,204	7,867	12,071	4,627	6,871	11,498	573
Total Liabilities	41,445	48,393	89,838	44,039	33,239	77,278	12,560
Total Deferred Inflows of Resources	325	160	485	329	128	457	28
Total Liabilities Plus Deferred Inflows of Resources	41,770	48,553	90,323	\$ 44,368	\$ 33,367	\$ 77,735	\$ 12,588
Net Position:							
Net Invested in Capital Assets	14,717	118,144	132,861	\$ 12,386	\$ 117,016	\$ 129,402	\$ 3,458
Restricted	1,160	8,705	9,865	10,593	12,822	23,415	(13,550)
Unrestricted	12,190	8,150	20,340	1,202	4,949	6,151	14,189
Total Net Position	28,067	134,999	163,066	\$ 24,182	\$ 134,787	\$ 158,969	\$ 4,098

As noted, the City's combined change in net position for the primary government increased \$4.1 million compared to the prior fiscal year. Governmental activities increased \$3.9 million while the business-type activities contributed with a \$0.2 million increase. The largest portion of net position represents the City's investment in capital assets, net of related debt. The second largest portion of net position represents restricted net position, while the final component is unrestricted.

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

Of the \$4.1 million increase in net position from the prior year, a \$3.9 million increase is attributed to the governmental activities. The change in net position in the governmental activities before transfers was \$(6.3) million. The net change consists of approximately \$10.2 million in transfers from the business-type activities. An increase in \$0.2 million in net position is reported in connection with the City's business-type activities.

CITY OF EAGLE PASS, TEXAS  
 CHANGES IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

(In Thousands)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	3,350	\$ 3,450	29,934	\$ 27,862	\$ 33,284	\$ 31,312
Operating Grants & Contrib	1,115	1,032	-	-	1,115	1,032
Capital Grants & Contrib	-	-	1,451	2,455	1,451	2,455
General Revenues:						
Property Taxes	8,155	7,542	-	-	8,155	7,542
Sales Taxes	4,807	4,940	-	-	4,807	4,940
Occupancy Tax	869	697	-	-	869	697
Franchise Taxes	1,191	976	-	-	1,191	976
Other Taxes	8	10	-	-	8	10
Penalty & Interest	182	166	-	-	182	166
Grants & Contrib not restricted	-	-	-	-	-	-
Investment Earnings	75	77	93	82	168	159
Miscellaneous	268	102	22	68	291	170
Total Revenues	20,020	18,991	31,501	30,467	51,521	49,457
Expenses:						
Primary Government:						
General Government	7,378	8,462	-	-	7,378	8,462
Public Safety	10,965	10,935	-	-	10,965	10,935
Highway & Streets	2,536	2,465	-	-	2,536	2,465
Sanitation	202	209	-	-	202	209
Culture & Recreation	4,162	4,119	-	-	4,162	4,119
Bond Interest	1,092	1,219	-	-	1,092	1,219
Business-Type Activities:						
Water & Sewer System	-	-	12,356	11,358	12,356	11,358
International Bridge System	-	-	4,652	5,998	4,652	5,998
Refuse Collection System	-	-	4,081	4,019	4,081	4,019
Total Expenses	26,335	27,410	21,089	21,375	47,423	48,784
Change In Net Position Before Transfers	(6,315)	(8,419)	10,412	9,092	4,097	673
Transfers	10,200	7,473	(10,200)	(7,473)	-	-
Net Change in Net Position	3,886	(946)	212	1,619	4,097	673
Beginning, Net Position	24,182	26,490	134,787	133,564	158,969	160,054
Prior Period Adjustments	-	(1,363)	-	(397)	-	(1,760)
Ending, Net Position	\$ 28,067	\$ 24,181	\$ 134,999	\$ 134,786	\$ 163,066	\$ 158,967

## Governmental Funds

Revenues from the City's governmental funds were \$19.6 million. The revenue was derived as indicated below.

(In thousands)	<u>2017</u>		<u>2016</u>		<u>Variance</u>
Property taxes	\$ 7,716	39%	\$ 7,256	40%	\$ 460
Sales taxes	4,765	24%	4,887	27%	(122)
Occupancy Taxes	877	4%	707	4%	170
Franchise Taxes	1,216	6%	1,009	6%	207
Licenses & Permits	271	1%	317	2%	(46)
Penalty & Interest	182	1%	166	1%	16
Investment Earnings	74	0%	76	0%	(2)
Intergovernmental Revenue	1,115	6%	1,032	6%	83
Charges for Services	1,983	10%	1,688	9%	295
Miscellaneous	1,362	7%	1,049	6%	313
	<u>\$ 19,561</u>		<u>\$ 18,186</u>		<u>\$ 1,375</u>

- The adopted property tax rate for fiscal year 2016-2017 remained the same at \$0.54602 per \$100 of valuation.
- Property value increased \$83 million to \$1.432 billion from the prior year's valuation of \$1.349 billion.
- Sales tax revenues decreased \$122 thousand to \$4.8 million from the prior year's sales tax revenues of \$4.9 million. We attribute this decrease primarily to the devaluation of the Mexican peso.
- Licenses and Permit Fees decreased \$46 thousand primarily due to 60% decrease in building permit fees
- The City transferred \$10.2 million from proprietary funds to governmental fund operations principally to the general fund. These funds transferred to the general fund come from the International Bridge System.

Expenses for the City’s governmental funds, exclusive of principal payments and capital outlays, were \$22.3 million. Expenses were incurred as indicated below.

(In thousands)	2017		2016		Variance
General Government	\$ 4,975	22%	\$ 4,647	20%	\$ 328
Public Safety	9,854	44%	9,605	42%	249
Highways & Streets	2,290	10%	3,427	15%	(1,137)
Sanitation	134	1%	117	1%	17
Culture & Recreation	3,786	17%	3,657	16%	129
Interest on Long-term Debt	1,300	6%	1,345	6%	(45)
	<u>\$ 22,339</u>		<u>\$ 22,798</u>		<u>\$ (459)</u>

Monthly budget monitoring was conducted to assure compliance with budgetary constraints.

### Business-Type Activities

Revenues of the City’s proprietary funds totaled \$31.5 million as indicated below.

(In thousands)	2017		2016		Variance
Program Revenue:					
Charges for Services	\$ 29,934	95%	\$ 27,862	91%	\$ 2,072
Capital Grants and Contributions	1,451	5%	2,455	8%	(1,004)
General Revenue:					
Other Operating Revenues	22	0%	68	0%	(46)
Investment Earnings	93	0%	82	0%	11
Revenues	<u>\$ 31,501</u>		<u>\$ 30,467</u>		<u>\$ 1,034</u>

- The amount realized from charges for services for water and sewage services was \$11.6 million which is an increase of \$972 thousand from the prior year charges for services of \$11.5 million.
- The amount realized from charges for services for sanitation services was \$5.1 million which is an increase of \$100 thousand from the prior year.
- The amount realized from the two international bridges for tolls was \$13.3 million which is an increase of \$1.6 million. Bride traffic has remained relatively stable, with a slight increase in commercial traffic.

Expenses of the City’s business-type activities totaled \$21 million as summarized below.

<b>(In thousands)</b>	<u>2017</u>		<u>2016</u>		<u>Variance</u>
Water Works System	\$ 12,356	59%	\$ 11,358	53%	\$ 998
International Bridge System	4,652	22%	5,998	28%	(1,346)
Refuse Collection System	<u>4,081</u>	19%	<u>4,019</u>	19%	<u>62</u>
	<u>\$ 21,089</u>		<u>\$ 21,375</u>		<u>\$ (286)</u>

- The International Bridge System transferred \$10 million to the General Fund which is a \$2.8 million increase from the previous fiscal year. The Water Works Fund transfers \$200 thousand annually to the General Fund.
- City staff monitors all Propriety Funds to ensure that operating expenses are maintained within budget levels and that fund is not transferred in excess of limitations imposed by City charter or bond covenants.

### **General Fund Budgetary Activity**

Over the course of the fiscal year, the City Council revised the City’s budget a number of times. These amendments were principally for:

- Supplemental appropriations to revise the budget during the year ended September 2017.
- Amendments to appropriate funds held in reserve, if available.
- Changes in appropriations for grants and related matching funds.
- Increases or decreases in appropriations to authorize for any budget overruns.
- Changes in the amount budget for transfer of funds from the General Fund to other funds.

As stated before the City monitors its budget to assure that anticipated revenues are realized and that expenditures remain within budget authority.

## CAPITAL ASSETS and DEBT ADMINISTRATION

### Capital Assets (government-wide)

The City's combined capital assets at the end of the fiscal year September 30, 2017, amounted to \$284 million with \$102 million in depreciation. It is the City's policy to capitalize only purchases of \$5,000 or over. Items less than \$5,000 are expensed. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, streets, bridges and other infrastructure, including construction work in progress. A more detail presentation is presented in the Notes to Financial Statements at Note 4.

### Capital Assets at Year-End

(in Thousands)	2017			Total	2016			Total
	Activities		2017	Activities	Activities		2016	
	Governmental	Business-type		Governmental	Business-type			
Land	\$ 1,377	\$ 1,756	\$ 3,133	\$ 1,377	\$ 1,707	\$ 3,084		
Buildings	2,700	-	2,700	2,700	-	2,700		
Improv'ts other than bldgs	27,342	-	27,342	27,342	-	27,342		
Equipment	18,344	-	18,344	17,896	-	17,896		
Infrastructure	20,688	-	20,688	20,688	-	20,688		
Water & Sewer System	-	157,103	157,103	-	156,708	156,708		
Bridge System	-	31,858	31,858	-	31,219	31,219		
Landfill Facility	-	-	-	-	-	-		
Refuse Collection System	-	7,471	7,471	-	6,760	6,760		
Construction in progress	12,720	2,327	15,047	10,925	419	11,344		
Less: accum. depreciation	(41,103)	(60,924)	(102,027)	(39,150)	(56,032)	(95,182)		
Total assets	<u>\$ 42,069</u>	<u>\$ 139,591</u>	<u>\$ 181,660</u>	<u>\$ 41,778</u>	<u>\$ 140,780</u>	<u>\$ 182,559</u>		

### Long-Term Debt

At the end of the fiscal year, the City had debt of \$83 million, an increase of \$12.2 million from last year as detailed below. A more detail presentation is presented in the Notes to Financial Statements at Note 4.

## Outstanding Debt at Year-End

(In thousands)	2017		Total	2016		Total
	Activities			Activities	Activities	
	Governmental	Business-type	2017	Governmental	Business-type	2016
Certificates of Obligation	\$ 18,045	\$ 196	\$ 18,241	\$ 18,690	\$ 355	\$ 19,045
Contractual Obligations	-	-	-	-	-	-
Compensated Absences	1,009	-	1,009	776	-	776
Revenue Bonds	15,995	41,105	57,100	17,440	26,865	44,305
Premium/Discount on Refunding	1,696	262	1,958	1,914	-	1,914
Capital Leases	-	-	-	-	-	-
Landfill Closure Costs	-	894	894	-	864	864
Net Pension Liability	3,038	1,181	4,219	3,158	1,228	4,386
	\$ 39,783	\$ 43,638	\$ 83,421	\$ 41,978	\$ 29,312	\$ 71,290

The currently City holds a “A1” credit rating from Moody’s, “AA” from Standard & Poor’s, and “A+” from Fitch.

### ***ECONOMIC FACTORS, NEXT YEAR’S BUDGET, AND RATES***

The City’s economy during the fiscal year remained stable and the outlook for the future remains optimistic especially with continuing business inquiries in the retail, lodging, restaurant, and beverage establishments. The City has continued to see steady growth in residential development and commercial development which the City expects to continue.

Employment at the five major employers remains stable when compared to 2016. The major employers are the school district, the only Tribal casino in the state of Texas, major discount store, a medical center, and a regional super market. These employers employ an estimated 5,521 people.

The unemployment rate for September 2017 was 8.1%, above the state’s 3.9% and the national 4.1%, and is expected to remain higher than the state and nation rate in 2017. Our traditional seasonal population remains as part of our work force.

For 2017-2018, City management considered all factors that might enter into the budget process, including national, state, regional and local economy. The City has committed to funding capital funds to funds projects and capital replacement along with a focus on reviewing and adjusting revenue sources to decrease the need to incur debt while also funding the operational needs of the City.

With the City’s property tax rate decreased \$0.00353 per \$100 valuation to \$0.54249 per \$100 valuation for tax year 2017, the City expects to generate approximately \$4.9 million in property tax revenues for its General Fund and \$3.1 million for its Debt Service.

The City expects to transfer \$11.4 million from proprietary funds to finance its governmental activities.

***REQUEST FOR INFORMATION***

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact *Mr. Jesus R. Rodriguez, Finance Director* at:

Mailing address: City of Eagle Pass  
100 South Monroe Street  
Eagle Pass, Texas, 78852

Telephone: 830-773-1111, Extension 2025

Fax: 830-773-2730

E-mail: [jrrodriguez@eaglepasstx.us](mailto:jrrodriguez@eaglepasstx.us)

Or visit our Website: [www.eaglepasstx.us](http://www.eaglepasstx.us)

# **BASIC FINANCIAL STATEMENTS**

CITY OF EAGLE PASS, TEXAS  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2017

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 18,957,794	\$ 7,373,116	\$ 26,330,910
Receivables (Net of Allowance for Uncollectibles)	3,154,348	1,395,639	4,549,987
Due from Other Governments	127,941	917,266	1,045,207
Internal Balances	319,912	(319,912)	(0)
Due from Others	9,995	292,723	302,718
Investments	-	2,610,816	2,610,816
Inventories	18,958	122,680	141,638
Prepaid Items	-	32,574	32,574
Restricted Assets:			
Cash and Cash Equivalents	2,500,000	26,004,592	28,504,592
Investments	-	4,529,867	4,529,867
Capital Assets:			
Land	1,377,029	1,755,873	3,132,902
Construction in Progress	12,720,060	2,327,137	15,047,197
Capital Assets, Net	<u>27,971,781</u>	<u>135,417,348</u>	<u>163,389,129</u>
Total Capital Assets	<u>42,068,870</u>	<u>139,500,358</u>	<u>181,569,228</u>
Total Assets	<u>67,157,818</u>	<u>182,459,719</u>	<u>249,617,537</u>
Total Deferred Outflows of Resources	<u>2,679,552</u>	<u>1,091,997</u>	<u>3,771,549</u>
Total Assets Plus Deferred Outflows of Resources	<u>\$ 69,837,370</u>	<u>\$ 183,551,716</u>	<u>\$ 253,389,086</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 1,468,974	\$ 3,729,892	\$ 5,198,866
Intergovernmental Payable	-	673,793	673,793
Accrued Interest Payable	110,797	169,884	280,681
Unearned Revenues	-	181,370	181,370
Other Current Liabilities	82,260	-	82,260
Noncurrent Liabilities:			
Due within One Year	2,541,471	3,112,471	5,653,942
Due in More than One Year	<u>37,241,162</u>	<u>40,525,628</u>	<u>77,766,790</u>
Total Liabilities	<u>41,444,664</u>	<u>48,393,038</u>	<u>89,837,702</u>
Total Deferred Inflows of Resources	<u>325,414</u>	<u>159,594</u>	<u>485,008</u>
Total Liabilities Plus Deferred Inflows of Resources	<u>\$ 41,770,078</u>	<u>\$ 48,552,632</u>	<u>\$ 90,322,710</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,717,101	118,143,677	132,860,778
Restricted for Room Tax	946,738	-	946,738
Restricted for Debt Service	-	3,349,903	3,349,903
Restricted for Other Purposes	213,145	5,355,552	5,568,697
Unrestricted Net Position	<u>12,190,308</u>	<u>8,149,952</u>	<u>20,340,260</u>
Total Net Position	<u>\$ 28,067,292</u>	<u>\$ 134,999,084</u>	<u>\$ 163,066,376</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF EAGLE PASS, TEXAS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental Activities:				
General Government	\$ 7,378,199	\$ 1,816,711	\$ 221,888	\$ -
Public Safety	10,965,437	558,478	878,334	-
Highway and Streets	2,535,559	525,993	-	-
Sanitation	202,328	-	-	-
Culture and Recreation	4,161,532	448,373	14,873	-
Bond Interest	1,091,677	-	-	-
Activities	<u>26,334,732</u>	<u>3,349,555</u>	<u>1,115,095</u>	<u>-</u>
Business-Type Activities:				
Water and Sewer System	12,355,868	11,606,050	-	-
International Bridge System	4,651,790	13,260,521	-	1,451,323
Refuse Collection System	4,080,915	5,067,867	-	-
Total Business-Type Activities	<u>21,088,573</u>	<u>29,934,438</u>	<u>-</u>	<u>1,451,323</u>
Total Primary Government	<u>\$ 47,423,305</u>	<u>\$ 33,283,993</u>	<u>\$ 1,115,095</u>	<u>\$ 1,451,323</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales Taxes

Occupancy Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and contributions not restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

The notes to the Financial Statements are an integral part of this statement.

**EXHIBIT B-1**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (5,339,600)	\$ -	\$ (5,339,600)
(9,528,625)	-	(9,528,625)
(2,009,566)	-	(2,009,566)
(202,328)	-	(202,328)
(3,698,286)	-	(3,698,286)
(1,091,677)	-	(1,091,677)
<u>(21,870,082)</u>	<u>-</u>	<u>(21,870,082)</u>
-	(749,818)	(749,818)
-	10,060,054	10,060,054
-	986,952	986,952
<u>-</u>	<u>10,297,188</u>	<u>10,297,188</u>
<u>(21,870,082)</u>	<u>10,297,188</u>	<u>(11,572,894)</u>
5,021,325	-	5,021,325
3,133,552	-	3,133,552
4,807,270	-	4,807,270
869,172	-	869,172
1,191,397	-	1,191,397
7,752	-	7,752
181,557	-	181,557
-	-	-
268,303	22,422	290,725
74,852	92,930	167,782
<u>10,200,429</u>	<u>(10,200,429)</u>	<u>-</u>
<u>25,755,609</u>	<u>(10,085,077)</u>	<u>15,670,532</u>
3,885,528	212,111	4,097,639
24,181,764	134,786,973	158,968,737
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 28,067,292</u>	<u>\$ 134,999,084</u>	<u>\$ 163,066,376</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF EAGLE PASS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2017

EXHIBIT C-1

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,326,119	\$ (29,701)	\$ 13,312,964	\$ 18,609,382
Investments	-	-	-	-
Interest Receivable	-	-	26,685	26,685
Taxes Receivable	1,121,305	630,857	-	1,752,162
Allowance for Uncollectible Taxes (credit)	(481,960)	(273,488)	-	(755,448)
Receivables (Net)	833,676	-	106,828	940,504
Receivable from Other Governments	712,198	-	290,028	1,002,226
Due from Others	(106)	1,636	153,953	155,483
Due from Other Funds	971,186	-	1,922,679	2,893,865
Inventories	18,958	-	-	18,958
Prepaid Items	-	-	-	-
Restricted Cash:				
Cash and Cash Equivalents	2,500,000	-	-	2,500,000
Total Assets	<u>\$ 11,001,376</u>	<u>\$ 329,304</u>	<u>\$ 15,813,137</u>	<u>\$ 27,143,817</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 678,733	\$ -	\$ 360,386	\$ 1,039,119
Accrued Liabilities	356,294	-	67,764	424,058
Payable to Other Governments	-	-	-	-
Due to Others	88,869	-	-	88,869
Due to Other Funds	2,123,507	-	449,695	2,573,202
Other Payables	-	-	-	-
Total Liabilities	<u>3,247,403</u>	<u>-</u>	<u>877,845</u>	<u>4,125,248</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	1,093,751	357,368	77,066	1,528,185
Total Deferred Inflows of Resources	1,093,751	357,368	77,066	1,528,185
Fund Balances:				
Non-Spendable Fund Balance:				
Other Non-Spendable Fund Balance	18,958	-	-	18,958
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	-
Restricted for Room Tax	-	-	946,738	946,738
Retirement of Long Term Debt	-	-	-	-
Restricted for Construction	-	-	4,754,234	4,754,234
Other Restricted Fund Balance	-	-	213,145	213,145
Committed Fund Balance:				
Other Committed Fund Balance	-	-	8,944,109	8,944,109
Unassigned Fund Balances	6,641,264	(28,064)	-	6,613,200
Total Fund Balances	<u>6,660,222</u>	<u>(28,064)</u>	<u>14,858,226</u>	<u>21,490,384</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,001,376</u>	<u>\$ 329,304</u>	<u>\$ 15,813,137</u>	<u>\$ 27,143,817</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF EAGLE PASS, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
AS OF SEPTEMBER 30, 2017**

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**EXHIBIT C-2**

**Total Fund Balance - Governmental Funds** \$ 21,490,384

The City uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position. 348,470

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements. They are reported in the governmental activities column in the Statement of Net Position. At the beginning of the year, the cost of these assets was \$ 80,928,105 and the accumulated depreciation was \$39,149,740 including construction-in-progress. This effect increases net position by \$41,778,365.

In addition, long-term liabilities, including bond payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements. Long term liabilities at the beginning of the year had the effect of decreasing net position by \$41,978,183.

The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position by \$199,818. (199,818)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The City had bond proceeds which are included herein. The net effect of including the 2017 capital outlays-\$2,243,990, debt principal payments-\$2,090,000, a increase in compensated absences-\$232,378 and a decrease in net pension liability-\$119,973 is to increase net position. 4,221,585

The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (1,953,485)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and recognizing the liabilities associated with maturing long-term debt and interest, as well as changes in deferred outflows and deferred inflows of resources related to net pension liability. The net effect of these reclassifications and recognitions is to increase (decrease) net position. 4,160,156

**Net Position of Governmental Activities** \$ 28,067,292

CITY OF EAGLE PASS, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT C-3

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 4,749,327	\$ 2,966,843	\$ -	\$ 7,716,170
General Sales and Use Taxes	4,765,394	-	-	4,765,394
Franchise Tax	1,191,397	-	24,837	1,216,234
Other Taxes	7,752	-	869,172	876,924
Penalty and Interest on Taxes	108,312	57,397	15,848	181,557
Licenses and Permits	271,223	-	-	271,223
Intergovernmental Revenue and Grants	158,131	-	956,964	1,115,095
Charges for Services	1,783,536	-	199,314	1,982,850
Fines	411,960	-	65,527	477,487
Special Assessments	-	-	502,808	502,808
Investment Earnings	20,517	3,228	49,776	73,521
Rents and Royalties	86,024	-	-	86,024
Other Revenue	286,694	-	9,300	295,994
Total Revenues	<u>13,840,267</u>	<u>3,027,468</u>	<u>2,693,546</u>	<u>19,561,281</u>
<b>EXPENDITURES</b>				
Current:				
General Government	4,635,902	-	339,422	4,975,324
Public Safety	8,968,932	-	885,537	9,854,469
Highways and Streets	2,289,713	-	-	2,289,713
Sanitation	125,598	-	8,232	133,830
Culture and Recreation	2,591,962	-	1,193,816	3,785,778
Debt Service:				
Bond Principal	-	2,090,000	-	2,090,000
Bond Interest	-	1,299,507	-	1,299,507
Fiscal Agent's Fees	-	3,050	-	3,050
Issuance Costs	-	-	(3,116)	(3,116)
Capital Outlay:				
Capital Outlay	412,516	-	3,297,024	3,709,540
Total Expenditures	<u>19,024,623</u>	<u>3,392,557</u>	<u>5,720,915</u>	<u>28,138,095</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,184,356)</u>	<u>(365,089)</u>	<u>(3,027,369)</u>	<u>(8,576,814)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	10,200,429	279,934	6,772,153	17,252,516
Transfers Out	(4,950,048)	-	(2,102,039)	(7,052,087)
Insurance Proceeds	18,511	-	-	18,511
Total Other Financing Sources and Uses	<u>5,268,892</u>	<u>279,934</u>	<u>4,670,114</u>	<u>10,218,940</u>
Net Change in Fund Balances	84,536	(85,155)	1,642,745	1,642,126
Fund Balances - Beginning	6,575,686	57,091	13,215,481	19,848,258
Prior Period Adjustment	-	-	-	-
Fund Balances - Ending	<u>\$ 6,660,222</u>	<u>\$ (28,064)</u>	<u>\$ 14,858,226</u>	<u>\$ 21,490,384</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF EAGLE PASS, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**EXHIBIT C-4**

**Total Net Change in Fund Balances - Governmental Funds** \$ 1,642,126

The City uses some internal service funds to charge the costs of certain activities primarily to the governmental activities. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position. 8,757

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The City had bond proceeds which are included herein. The net effect of including the 2017 capital outlays-\$2,243,990, debt principal payments-\$2,090,000, a increase in compensated absences-\$232,378 and a decrease in net pension liability-\$119,973 is to increase net position. 4,221,585

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (1,953,485)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and recognizing the liabilities associated with maturing long-term debt and interest and changes to pension expense for net pension liability activity. The net effect of these reclassifications and recognitions is to increase (decrease) net position. (33,455)

**Change in Net Position of Governmental Activities** \$ 3,885,528

CITY OF EAGLE PASS, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2017

EXHIBIT D-1

	Enterprise Funds				Governmental Activities
	Water Works & Sewer System	International Bridge System	Refuse Collection System	Total	Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 5,946,964	\$ 134,058	\$ 1,292,094	\$ 7,373,116	\$ 348,409
Investments	2,610,816	-	-	2,610,816	-
Restricted Assets - Current					
Cash and Cash Equivalents	22,651,727	2,692,865	660,000	26,004,592	-
Investments	4,529,867	-	-	4,529,867	-
Accounts Receivable - Net of Uncollectible Allowances	1,070,133	-	315,044	1,385,177	-
Due from Other Governments	8,186	695,836	213,244	917,266	-
Due from Other Funds	-	-	10,462	10,462	61
Due from Others	-	-	292,723	292,723	-
Inventories	122,680	-	-	122,680	-
Prepaid Items	32,574	-	-	32,574	-
Total Current Assets	36,972,947	3,522,759	2,783,567	43,279,273	348,470
Non-Current Assets:					
Capital Assets:					
Land	1,588,768	64,374	102,731	1,755,873	-
Buildings	155,060,977	66,040	38,686	155,165,703	-
Improvements Other Than Buildings	-	28,556,755	-	28,556,755	-
Machinery and Equipment	-	3,235,378	-	3,235,378	-
Capital Assets:	2,041,677	-	7,431,943	9,473,620	-
Accumulated Depreciation - Capital Assets	(43,887,946)	(11,904,723)	(5,221,439)	(61,014,108)	-
Construction in Progress	2,074,141	252,996	-	2,327,137	-
Total Non-Current Assets	116,877,617	20,270,820	2,351,921	139,500,358	-
Total Assets	153,850,564	23,793,579	5,135,488	182,779,631	348,470
Deferred Outflows of Resources	719,780	223,330	148,887	1,091,997	-
Total Assets Plus Deferred Outflows of Resources	\$ 154,570,344	\$ 24,016,909	\$ 5,284,375	\$ 183,871,628	\$ 348,470
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 1,840,294	\$ 127,032	\$ 54,245	\$ 2,021,571	\$ -
Accrued Liabilities	104,428	26,357	37,615	168,400	-
Compensated Absences Payable	333,040	50,269	110,680	493,989	-
Customer Deposits Payable	870,513	-	-	870,513	-
Intergovernmental Payable	640,105	-	33,688	673,793	-
Due to Other Funds	-	157,440	162,471	319,911	-
Due to Others	-	175,421	-	175,421	-
Accrued Interest Payable	127,008	7,940	34,935	169,883	-
Unearned Revenue	181,370	-	-	181,370	-
Bonds Payable - Current:					
General Obligation Bonds Payable	165,000	-	-	165,000	-
Bonds Premium Payable	17,471	-	-	17,471	-
Revenue Bonds Payable	1,355,000	1,575,000	-	2,930,000	-
Total Current Liabilities	5,634,229	2,119,459	433,634	8,187,322	-
Non-Current Liabilities:					
Bonds Payable - Non-Current					
General Obligation Bonds Payable	31,000	-	-	31,000	-
Bonds Premium Payable	244,597	-	-	244,597	-
Revenue Bonds Payable	38,175,000	-	-	38,175,000	-
Closure and Post-Closure Costs	-	-	893,708	893,708	-
Net Pension Liability	759,422	253,141	168,760	1,181,323	-
Total Non-Current Liabilities	39,210,019	253,141	1,062,468	40,525,628	-
Total Liabilities	44,844,248	2,372,600	1,496,102	48,712,950	-
Deferred Inflows of Resources	102,596	34,199	22,799	159,594	-
Total Liabilities Plus Deferred Inflows of Resources	44,946,844	2,406,799	1,518,901	48,872,544	-
<b>NET POSITION</b>					
Net Investment in Capital Assets	97,069,936	18,695,820	2,351,921	118,117,677	-
Restricted for Debt Service	1,743,142	1,606,761	-	3,349,903	-
Restricted for Other Uses	4,269,448	1,086,104	-	5,355,552	-
Unrestricted	6,540,974	221,425	1,413,553	8,175,952	348,470
Total Net Position	\$ 109,623,500	\$ 21,610,110	\$ 3,765,474	\$ 134,999,084	\$ 348,470

The notes to the Financial Statements are an integral part of this statement.

CITY OF EAGLE PASS, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D-2

	Enterprise Funds				Governmental Activities
	Water Works & Sewer System	International Bridge System	Refuse Collection System	Total	Internal Service Funds
<b>REVENUES</b>					
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Water Services	7,114,797	-	-	7,114,797	-
Charges for Sewage Services	4,254,575	-	-	4,254,575	-
Charges for Sanitation Services	-	-	5,032,287	5,032,287	-
Toll Charges	-	13,078,310	-	13,078,310	-
Health - Charges for Services	-	-	-	-	74,204
Other Revenue	236,678	182,211	-	418,889	-
Miscellaneous	-	-	35,580	35,580	-
Total Operating Revenues	11,606,050	13,260,521	5,067,867	29,934,438	74,204
<b>OPERATING EXPENSES</b>					
Personal Services - Salaries and Wages	2,963,645	758,704	895,173	4,617,522	-
Personal Services - Employee Benefits	1,328,560	331,845	519,858	2,180,263	-
Purchased Professional & Technical Services	382,172	-	171,329	553,501	-
Purchased Property Services	1,159,143	58,852	7,702	1,225,697	-
Other Operating Expenses	337,803	120,378	1,736,622	2,194,803	66,777
Supplies	1,319,631	33,515	325,926	1,679,072	-
Depreciation	3,780,888	776,983	424,305	4,982,176	-
Total Operating Expenses	11,271,842	2,080,277	4,080,915	17,433,034	66,777
Operating Income (Loss)	334,208	11,180,244	986,952	12,501,404	7,427
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment Earnings	59,999	21,416	11,515	92,930	1,330
Other Non Operating Revenue	18,305	4,117	-	22,422	-
Costs of Bond Issuances	(656,844)	-	-	(656,844)	-
Interest Expense	(427,182)	(112,799)	-	(539,981)	-
Improvements Donated to Federal Government	-	(2,458,714)	-	(2,458,714)	-
Total Non-Operating Revenue (Expenses)	(1,005,722)	(2,545,980)	11,515	(3,540,187)	1,330
Income (Loss) Before Contributions and Transfers	(671,514)	8,634,264	998,467	8,961,217	8,757
Capital Contributions from Grants	-	1,451,323	-	1,451,323	-
Transfers In	-	-	-	-	-
Transfers Out	(200,000)	(10,000,429)	-	(10,200,429)	-
Change in Net Position	(871,514)	85,158	998,467	212,111	8,757
Total Net Position - Beginning	110,495,014	21,524,952	2,767,007	134,786,973	339,713
Prior Period Adjustment	-	-	-	-	-
Total Net Position - Ending	\$ 109,623,500	\$ 21,610,110	\$ 3,765,474	\$ 134,999,084	\$ 348,470

The notes to the Financial Statements are an integral part of this statement.

**CITY OF EAGLE PASS, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-Type Activities	
	Major Fund- Water Works & Sewer System	Major Fund- International Bridge System
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from User Charges	\$ 11,609,316	\$ -
Receipts from Toll Charges	-	13,078,310
Receipts for Other Collections	-	182,211
Payments to Employees for Services	(4,107,897)	(1,024,216)
Payments for Suppliers	(3,223,464)	(165,318)
Payments for Other Operating Expenses	186,634	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>4,464,589</b>	<b>12,070,987</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>		
Advances From/(To) Other Funds	-	(276,268)
Transfers Out	(200,000)	(10,000,429)
Transfers In	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(200,000)</b>	<b>(10,276,697)</b>
<b><u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</u></b>		
Acquisition of Capital Assets	(1,341,853)	(808,815)
Cash Payments for Improvements Donated to the Federal Government	-	(2,849,054)
Proceeds from Capital Contributions from Grants	-	1,328,828
Capital Contributed by other Funds	-	-
Proceeds from Issuance of Revenue Bonds	21,832,068	-
Principal Payments on Revenue and General Obligation Bonds	(5,979,000)	(1,510,000)
Interest Paid on Outstanding Debt	(411,194)	(93,228)
Bond Issue Costs and Origination Fees	(656,844)	-
Other Payments to Fund Bond Refunding	(49,789)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>13,393,388</b>	<b>(3,932,269)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Short Term Investments - Net	1,796,430	-
Proceeds from Sale of Hay	18,305	-
Other	-	4,117
Interest and Dividends on Investments	59,999	21,416
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1,874,734</b>	<b>25,533</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,532,711</b>	<b>(2,112,446)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:</b>	<b>9,065,980</b>	<b>4,939,369</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR:</b>	<b>\$ 28,598,691</b>	<b>\$ 2,826,923</b>

The notes to the Financial Statements are an integral part of this statement.

**EXHIBIT D-3**

		Governmental Activities	
Major Fund- Refuse Collection System	Total Enterprise Funds	Internal Service Fund	
\$ 5,010,462	\$ 16,619,778	\$ 74,204	
-	13,078,310	-	
-	182,211	-	
(1,370,976)	(6,503,089)	-	
(2,233,896)	(5,622,678)	(68,817)	
-	186,634	-	
<u>1,405,590</u>	<u>17,941,166</u>	<u>5,387</u>	
180,599	(95,669)	(61)	
(238,075)	(10,438,504)	-	
-	-	-	
<u>(57,476)</u>	<u>(10,534,173)</u>	<u>(61)</u>	
(711,003)	(2,861,671)	-	
-	(2,849,054)	-	
-	1,328,828	-	
-	-	-	
-	21,832,068	-	
-	(7,489,000)	-	
(5,215)	(509,637)	-	
-	(656,844)	-	
-	(49,789)	-	
<u>(716,218)</u>	<u>8,744,901</u>	<u>-</u>	
-	1,796,430	-	
-	18,305	-	
11,515	15,632	-	
-	81,415	1,330	
<u>11,515</u>	<u>1,911,782</u>	<u>1,330</u>	
643,411	18,063,676	6,656	
<u>1,308,683</u>	<u>15,314,032</u>	<u>341,753</u>	
<u>\$ 1,952,094</u>	<u>\$ 33,377,708</u>	<u>\$ 348,409</u>	

The notes to the Financial Statements are an integral part of this statement.

**CITY OF EAGLE PASS, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-Type Activities	
	Major Fund- Water Works & Sewer System	Major Fund- International Bridge System
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss):	\$ 334,208	\$ 11,180,244
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	3,780,888	776,983
<b>EFFECTS OF INCREASES AND DECREASES IN CURRENT ASSETS AND LIABILITIES:</b>		
Decrease (increase) in Receivables	(93,549)	-
Decrease (increase) in Prepaid Items	(19,956)	-
Decrease (increase) in Due From Other Governments	-	-
Decrease (increase) in Due From Others	-	-
Decrease (increase) in Other Assets	-	-
Decrease (increase) in Inventories	6,033	-
Increase (decrease) in Accounts Payable	(10,792)	7,312
Increase (decrease) in Accrued Liabilities	44,303	(72)
Increase (decrease) in Other Current Liabilities	-	-
Increase (decrease) in Unearned Revenue	61,915	-
Increase (decrease) in Accruals	-	-
Increase (decrease) in Intergovernmental Payable	186,634	-
Increase (decrease) in Compensated Absences	-	19,737
Increase (decrease) in Due to Others	-	40,114
Increase (decrease) in Customer Deposits	34,900	-
Increase (decrease) in Closure and Post-Closure Costs	-	-
Increase (decrease) in Net Pension Liability	(29,993)	(9,997)
Decrease (increase) in Deferred Outflows of Resources	149,631	49,877
Increase (decrease) in Deferred Inflows of Resources	20,367	6,789
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 4,464,589</b>	<b>\$ 12,070,987</b>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:</b>		
Cash and Cash Equivalents - Statement of Net Position	5,946,964	134,058
Restricted Cash - Statement of Net Position	22,651,727	2,692,865
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 28,598,691</b>	<b>\$ 2,826,923</b>

The notes to the Financial Statements are an integral part of this statement.

**EXHIBIT D-3 (Cont'd)**

		Governmental Activities	
Major Fund- Refuse Collection System	Total Enterprise Funds	Internal Service Fund	
\$ 986,952	\$ 12,501,404	\$	6,656
424,305	4,982,176		-
(44,785)	(138,334)		-
-	(19,956)		-
(13,900)			-
1,279	1,279		-
-	-		-
-	6,033		-
(23,200)	(26,680)		(2,040)
4,403	48,634		-
-			-
-	61,915		-
-	-		-
1,104	187,738		-
8,541	28,278		-
-	40,114		-
-	34,900		-
29,779			-
(6,666)	(46,656)		-
33,251	232,759		-
4,526	31,682		-
<u>\$ 1,405,589</u>	<u>\$ 17,925,286</u>	<u>\$</u>	<u>4,616</u>
1,292,094	7,373,116		348,409
660,000	26,004,592		-
<u>\$ 1,952,094</u>	<u>\$ 33,377,708</u>	<u>\$</u>	<u>348,409</u>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF EAGLE PASS, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AS OF SEPTEMBER 30, 2017**

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**EXHIBIT E-1**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 746,874
Accounts Receivable-Net of Uncollectible Allowance	<u>119,776</u>
<b>Total Assets</b>	<b>\$ <u><u>866,650</u></u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 192,535
Due to Other Funds	11,275
Due to Other Governments	1,523
Due to Others	<u>661,317</u>
<b>Total Liabilities</b>	<b>\$ <u><u>866,650</u></u></b>

The accompanying notes are an integral part of this statement.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Eagle Pass, Texas (the “City”) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for local governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**Reporting Entity**

The City is a municipal corporation governed by an elected mayor and a five-member Council, known as a council-manager government. The City is governed pursuant to the provisions of the state constitution, statutes of the state and the code of ordinances. The code of ordinances includes the City charter and the general ordinances adopted effective January 5, 1966.

Financial reporting entity consists of the primary government (as presented in these financial statements) including all governmental and business-type activities of the City.

**Related Organization**

The City Council appoints members to the Board of Directors for the Eagle Pass Housing Authority. However, the City’s accountability for this entity does not extend beyond making appointments to the Board of Directors and the coordination and approval of strategic plans.

**Basic Financial Statements**

The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. Management’s discussion and analysis introduces the basic financial statements and provides an analytical overview of the City’s financial activities.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*The Statement of Net Position* reflects both short-term and long-term assets and liabilities, as well as deferred inflows and outflows. In the Government-wide Statement of Net Position, governmental activities are reported separately from business-type activities. Governmental activities are supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Long-term assets, such as capital assets, long-term obligations, such as debt, and any deferred inflows and outflows are reported with the assets and liabilities of the governmental activities.

The components of net position are presented in three separate categories: (1) Net Investment in Capital Assets, (2) Restricted, and (3) Unrestricted. Interfund receivables and payables within governmental and business-type activities are eliminated in the governmental-wide Statement of Net Position, which minimizes the duplicating of assets and liabilities within governmental and business-type activities. The net amount of interfund transfers between governmental and business type activities is the balance reported in the Statement of Net Position.

*Statement of Activities* reflects both gross and net cost format. The net cost (by function or business-type activity) is usually covered by general revenues (property taxes, sales tax, intergovernmental revenues, etc.). Direct (gross) expenses of a given function or segment are offset by program revenues, such as licenses and permits, fines, fees and fire and ambulance services to others, and operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* must be directly associated with the function of business-type activity. This presentation allows users to determine which functions are self-supporting, and which rely on the tax base in order to complete City requirements. Internal Service fund balances, whether positive or negative, have been eliminated against expenses and program revenues shown in the governmental and business-type activities of the Statement of Activities.

A reconciliation detailing the change in net position between the government-wide financial statements and fund financial statements is presented separately for governmental funds.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements present information about the City as a whole. Government-wide financial statements exclude both fiduciary funds and fiduciary component units. The statement of net position and statement of activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Agency funds have no measurement focus. 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 revenue 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.

Program revenues are presented in the government-wide Statement of Activities. The City reports program revenues in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. They are presented separately as a reduction of the total expense to arrive at the net expense of each functional activity. Program revenues are revenues generated by transactions with outside parties who purchase, use, or directly benefit from a program. They also include amounts such as grants, and contributions received from outside parties that restrict the use of those resources to specific programs.

1. Charges for services are revenues generated by those who purchase goods or services from the City. Examples of charges for services include solid waste collection and disposal fees. Fines and forfeitures, license and permits and intergovernmental revenues as reported in the General Fund are also reported under charges for services.
2. Operating grants and contributions are those revenues that are restricted in the way they may be spent for operations of a particular program.
3. Capital grants and contributions are also restricted revenues whose resources may only be spent to purchase, build or use capital assets for specified programs.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if 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. Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund equity and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City has three (3) types of funds: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds. The Fund Financial Statements provide more detail information about the City's most significant funds, but not on the City as a whole. Major individual governmental funds and major enterprise funds are reported separately in the Fund Financial Statements. Non-major funds are independently presented in the combining statements.

The criteria used to determine if a governmental or enterprise fund should be reported as a major fund is as follows:

The total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten (10%) of the corresponding total for all funds of the category or type (that is, total governmental or total enterprise funds), and total assets and liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least five (5%) of the corresponding total for all governmental and enterprise funds combined.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The following is a brief description of the major governmental fund that is presented in a separate column in the fund financial statements:

1. The *General Fund* is the City's primary operating fund.
2. The *Debt Service Fund* accounts for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on general long-term debt.

The following is a brief description of the major enterprise funds that are presented in a separate column in the fund financial statements:

1. The Water Works System accounts for the operation of the City's water and sewer system. Financing for its operation is provided by user fees.
2. The International Bridge System accounts for the operation of the City's two international bridges that facilitates daily traffic between the United States and the Republic of Mexico. Financing for its operation is provided by user fees.
3. The Refuse Collection System accounts for the operation of the City's refuse collection operation, including its landfill activities and recycling program. Financing for these operations are provided by user fees.

**Governmental Funds**

**General Fund** – The General Fund of the City is the primary operating fund, it accounts for all financial resources of the general government except those required to be accounted for in another fund.

**Special Revenue Funds** – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The specific revenue sources are the foundation for the fund's designation and are expected to continue to compromise a substantial portion of the inflows in the fund. If the fund no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources, the fund's remaining resources and activities are reported in the General Fund.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Debt Service Funds** – are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest as well as financial resources that are being accumulated for principal and interest maturing in future years.

**Capital Project Funds** - are used to account for and report financial resources that are restricted, committed or assigned to expenditures capital outlays, including the acquisition or construction of capital facilities and other capital assets, except those financed by enterprise funds and trust funds.

**Proprietary Funds**

**Enterprise Funds** – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges.

**Internal Service Fund** – the Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments of the City, or to other governmental units, on a cost – reimbursement basis. The City’s self-insurance dental program is accounted for in this fund.

Proprietary funds, governmental and business-type activities are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and accrued leave, are recognized when they are incurred. These funds are accounted for on a cost of services or “economic resources” measurement focus. Consequently, all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets.

The reported proprietary fund net position is segregated into three components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted net position.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds report both operating and non-operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The City defines operating revenues as those receipts generated by a specified program offering either a good or service. For example, the International Bridge System toll charges are operating revenues of the Bridge System. This definition is consistent with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. Operating expenses include personnel services, contractual services, commodities, other expenses (such as insurance), and depreciation. Revenues and expenses not fitting the above definitions are considered non-operating.

**Fiduciary Funds**

**Agency Funds** – are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others. These include an Escrow, the CDSI-HUD, Payroll and Deposits Held Funds. Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

**Assets, Liabilities and Net Position or Equity**

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, government securities and time deposits

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the City are reported at fair value.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown as net of an allowance for uncollectible. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is based on the historical collectability of outstanding property taxes at September 30, 2017.

Property taxes are levied on October 1 and attached as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

**Inventories and Prepaid Items**

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Restricted Assets**

Restricted assets consist of bond reserve and sinking funds on various revenue bonds and projects designated by the City Council and /or bond requirements. The bond reserve and sinking funds are segregated as required by certain bond indentures.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Capital Assets**

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

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

Major outlays for capital assets and improvements are presented as Construction-In-Progress and are capitalized when substantially completed.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements other than buildings	5-50
Equipment	5-20
Infrastructure	40
Intangible Assets	40

**Deferred Inflows and Outflows of Resources**

In addition to assets and liabilities, the statement of net position includes a separate section for deferred inflows and outflows of resources. These separate financial statement elements represent a consumption of net position that applies to a future period(s) and therefore, will not be recognized as an inflow or outflow of resources (expense) until then.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Contributions to pension subsequent to the measurement date of December 31, 2016	\$ 716,489	\$ 278,634	\$ 995,123
Differences between projected and actual investment earnings on pensions	1,862,139	761,285	2,623,424
Change in actuarial assumptions	16,367	2,289	18,656
Deferred amount on refunding	<u>84,557</u>	<u>49,789</u>	<u>134,346</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 2,679,552</u></b>	<b><u>\$ 1,091,997</u></b>	<b><u>\$ 3,771,549</u></b>

Deferred inflows of resources are comprised of the following:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Differences between expected and actual economic experience on pensions	\$ <u>325,414</u>	\$ <u>159,594</u>	\$ <u>485,008</u>
<b>Total Deferred Inflow of Resources</b>	<b><u>\$ 325,414</u></b>	<b><u>\$ 159,594</u></b>	<b><u>\$ 485,008</u></b>

**Compensated Absences**

**City** – The City’s policy is to accrue annual leave pay as it is earned. Annual leave may be accumulated up to the limits as stated in the personnel policies. Any leave not taken in the following year of service will be lost. The long-term portion of proprietary fund compensated absences is recorded in the proprietary funds and paid from there; for governmental fund types, the matured current portion of the liability resulting from the accrual of these compensated absences is recorded in the respective governmental fund and reported in the fund financial statements, while the entire vested liability is reported in the government-wide financials.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Water Works System** – The Water Works System’s policy is to accumulate employees’ unused vacation and sick leave to a maximum of twenty (20) and thirty (30) days, respectively. Vacation is earned at a rate of (10) working days per year for up to 10 years of service, fifteen (15) days for up to twenty, and twenty (20) days for over twenty years of service. Sick leave is earned at a rate of twelve (12) days per year of service. Employees are entitled to receive compensation for the accumulated unused vacation and sick leave upon retirement. Employees who resign in good standing are paid the accumulated unused vacation and sick leave.

**International Bridge System** – It is the policy of the Bridge System to accrue two weeks of annual leave for employees who have provided 1 to 10 years of service. Employees with more than 10 years of service accrue 3 weeks of annual leave, and four weeks in over 20 years of service as stated in the City’s policy. Since employees are required to take vacation leave each year, the financial statements do not reflect liability for accrued annual leave at year-end. Employees may accrue up to 30 days of sick leave. A terminating employee is paid for accumulated sick leave.

**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 capitalized and amortized over the life of the bonds using the straight-line 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

**Fund Equity**

***Governmental Funds***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The initial distinction made in reporting fund balance information is identifying amounts that are considered non-spendable i.e. fund balance associated with inventories, then identifying other amounts to be classified as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

A description of the classification of fund balance, the spending order and the use of restricted and unrestricted resources are as follows:

- Non-spendable – is amounts not available for appropriation or legally earmarked for a specific use. Such as inventories and prepaid items.
- Restricted – is amounts that have been legally separated for a specific purpose. Such as grants, capital acquisitions from bond proceeds and liquidation of long-term debt.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- Committed – is amounts that can be used only for the specific purposes determined by formal action a resolution of the Council (the highest level of decision-making authority). Such as construction improvements not funded by bond proceeds. Formal action of the Council would be those actions which are voted on at Council meetings that are in compliance with Texas law. Similar action of the Council is required to modify or rescind such commitments.
- Assigned – is amounts that are intended to be used by the City for specific purposes as determined by the City Manager or his designee. The City does not have a formal fund balance policy; however, this authority has been delegated by the Council. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.
- Unassigned – are residual amounts reported in the general fund which is available to finance operating expenditures. In other funds, the classification is used only to report a deficit balance related to previously restricted or assigned amounts.
- Spending Order – fund balances shall be considered released from restriction, commitment or assignment as expenditures are incurred for the purpose of the restrictions, commitment or assignment. Where expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted, committed, assigned and unassigned fund balance.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Balance Policy**

The City's fund balance policy is to maintain an unassigned fund balance between 25% and 30% of the subsequent years budgeted revenues. A deficit shall be permissible for emergency or other unanticipated situations as approved by City Council. Deficits shall be resolved as follows:

1. A fund balance of 20% to 25% shall be corrected within one fiscal year
2. A fund balance of 10% to 20% shall be corrected within two fiscal years
3. A fund balance of less than 10% shall be corrected within three fiscal years

Any Surplus funds shall be transferred to the City's Capital Fund and such funds shall be restricted for nonrecurring capital replacement or capital improvement expenditures.

**Net Position**

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

***Net Investment in Capital Assets***

The unspent proceeds of capital debt are not considered to be capital assets until they are actually spent. Accordingly, only the portion of debt equal to the amount spent is included in the calculation of net position invested in capital assets, net of related debt. Upon completion of the project, all of the remaining debt will be considered to be capital-related and included as part of future calculations of net position invested in capital assets, net of related debt.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of assets. One element of that reconciliation explains, “Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.” The detail of \$(4,221,585) difference is as follows.

	<u>Amount</u>
Capital Outlays	\$ 2,243,990
Principal Payment of Debt	2,090,000
Increase in Compensated Absences	(232,378)
Decrease in Net Pension Liability	<u>119,973</u>
Net adjustment to reduce fund balance in government funds to arrive at net position in governmental activities	<u>\$ 4,221,585</u>

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

1. At least 30 days prior to the beginning of the fiscal year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

3. Prior to October 1, the budget is legally enacted through passage of an ordinance, or alternatively, if no final action is enacted by City Council; it is deemed adopted as submitted by the City Charter.
4. Budgetary preparation and control is exercised at the departmental level. The City Council is authorized to transfer any unencumbered appropriation balance from one department to another through budget amendments. The City Manager is authorized to transfer budget amounts between line items within a department. During the year, the budget, if amended, was done in accordance with City charter requirements.
5. The City by charter legally requires an adoption and presentation of an annual appropriated budget for the General Fund, a Governmental Fund. The budget is prepared using the modified accrual basis of accounting. All annual appropriations lapse at year-end.

As part of the overall budget process, budgets are adopted for the following Governmental Funds: Library Program, Automotive Theft Program, Debt Service, Hotel/Motel Tax (Room Tax) Revenue Program, and International Center for Trade Fund (Civic Center Facility). These are presented in these financial statements.

The Community Development Program and HIDTA, a Drug Traffic Grant Program, are not legally required to adopt a budget. The grantor imposes a budget for grant purposes.

Budgets are not prepared and are not adopted for the following Governmental Funds: Texas Rental Rehabilitation, Urban Development Action Programs, Industrial Expansion Program, Forfeited Funds, Texas Water Development Program, Local Law Enforcement Block Grant, FEMA Disaster Grant, Security Fund Program, Park Dedication Program and Capital Equipment.

As part of the overall budget process, budgets are adopted for the proprietary fund, however, the City does not require a reporting as part of the comprehensive annual financial report.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

6. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

**Cash and Cash Equivalents and Investments**

As of September 30, 2017, the City had the following cash, cash equivalents, and short-term investments:

	<u>Amount</u>
Unrestricted Cash and Cash Equivalents	\$ 26,330,910
Restricted Cash and Cash Equivalents	<u>28,504,592</u>
Total Cash and Cash Equivalents	54,835,502
Unrestricted Short-term Investments	2,610,816
Restricted Short-term Investments	<u>4,529,867</u>
Total Short-term Investments	<u>7,140,683</u>
<b>Total</b>	<b>\$ <u>61,976,185</u></b>

Short-term investments primarily consist of certificates of deposits with an original maturity period of six (6) months.

Additional policies and contractual provisions governing deposits and investments, or the City are specified below:

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

**Custodial Credit Risk for Deposits and Investments**

The City's policy regarding types of deposits allowed and collateral requirements is as follows: deposits and investments of the City and its component unit's funds, other than direct purchases of United States Treasury instruments or its agencies, is secured by pledged collateral. Collateralization levels of City and component unit funds are pledged at 102 percent of market value principal and accrued interest on the deposits and investments less an amount insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC). Acceptable collateral, exclusive of FDIC and FSLIC coverage, is (1) A bond, certificate of indebtedness, or Treasury Note of the United States, or other evidence of indebtedness of the United States, its agencies or instrumentalities, (2) Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas, or (3) A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas rated as investment grade (no less than "A" or its equivalent) by a national rating agency with a remaining maturity of ten (10) years or less. The City is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and collateral coverage.

To limit the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This includes securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

**Credit Risk for Deposits and Investments**

The City is required by the Public Funds Investment Act, Chapter 2256, State of Texas Government Code to adopt and implement an investment policy. The City has adopted such a policy. That policy addresses the following areas: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities and bid solicitation preferences for certificates of deposit.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

The Public Funds Investment Act also requires the City to have independent accountants perform procedures related to investments practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and City policy.

State statutes and Board policy authorize the City to invest in the following types of investments meeting criteria and eligibility requirements established by Texas Government Code 2256: obligations of, or guaranteed by, governmental entities, certificates of deposit and share certificates, fully collateralized repurchase agreements, a securities lending program, bankers' acceptance, commercial paper, no-load money mutual funds and no-load mutual funds, guaranteed investment contracts as an investment vehicle for bond proceeds and public funds investment pools.

**Concentration of Credit Risk**

To limit the risk of loss attributed to the magnitude of the City's investment in a single issuer, the City limits its investments to a diversified portfolio and limits investments to those instruments allowed by Texas State law. The City does not limit investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

**Interest Rate Risk**

To limit the risk that changes in interest rates will adversely affect the fair value of investments; the City limits its investment portfolio to maturities of one year and avoids over-concentration of assets in specific instruments other than those stated in "Credit Risk for Deposits and Investments."

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS - Continued**

**Disaggregation of Receivables**

Net account receivables as of September 30, 2017, are as follows:

	<u>Amount</u>	<u>Estimated Uncollectible</u>	<u>Net</u>
<i>Governmental Activities:</i>			
General Fund - Property Taxes			
Property Taxes - General Fund	\$ 1,121,305	\$ (481,960)	\$ 639,345
Property Taxes - Debt Service	630,856	(273,488)	357,368
Total	1,752,161	(755,448)	996,713
General Fund - Receivables (Net)			
Emergency Medical Services	2,930,447	(2,297,569)	632,878
Other Receivables	504,038	(303,240)	200,798
	<u>3,434,485</u>	<u>(2,600,809)</u>	<u>833,676</u>
Total General Fund	5,186,646	(3,356,257)	1,830,389
<i>Other Funds</i>			
Notes Receivables (UDAG)	50,382	-	50,382
Miscellaneous	56,446	-	56,446
Total Other Funds	<u>106,828</u>	<u>-</u>	<u>106,828</u>
Total	<u>\$ 5,293,473</u>	<u>\$ (3,356,257)</u>	<u>\$ 1,937,216</u>

	<u>Water Works System</u>	<u>Bridge System</u>	<u>Refuse Collection</u>	<u>Total Receivables</u>
<i>Business-type Activities:</i>				
Customer Charges	\$ 1,467,384	\$ -	\$ 453,108	\$ 1,920,492
Unbilled Charges	6,858	-	-	6,858
Estimate for Uncollectibles	<u>(404,109)</u>	<u>-</u>	<u>(138,064)</u>	<u>(542,173)</u>
Total Net Receivables	<u>\$ 1,070,133</u>	<u>\$ -</u>	<u>\$ 315,044</u>	<u>\$ 1,385,177</u>

No estimate for uncollectible has been established for the note receivables since they are secured by a second lien on the affected property. Liens are also placed on properties cleaned by the City for the public welfare that have not been paid.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS - Continued**

**Governmental Receivables**

	<u>Federal</u>	<u>State</u>	<u>Maverick County</u>	<u>Total</u>
<i>Governmental:</i>				
General Fund	\$ -	\$ 580,120	\$ 132,078	\$ 712,198
Other Funds	<u>167,592</u>	<u>121,413</u>	<u>1,023</u>	<u>290,028</u>
Total	<u>\$ 167,592</u>	<u>\$ 701,533</u>	<u>\$ 133,101</u>	<u>\$ 1,002,226</u>
<i>Enterprise:</i>				
Water and Sewer System	\$ -	\$ 8,186	\$ -	\$ 8,186
International Bridge	-	695,836	-	695,836
Landfill System	<u>-</u>	<u>-</u>	<u>213,244</u>	<u>213,244</u>
Total	<u>\$ -</u>	<u>\$ 704,022</u>	<u>\$ 213,244</u>	<u>\$ 917,266</u>

Amounts due from Federal and State government receivables are principally for requested payments on grant funding, including capital and operating grants.

Receivables from the County are for fire protection services and use of the landfill transactions on which an outstanding balance remains at year end and is not expected to be paid within one year.

County governmental receivables and business-type activities includes balances from a Compromise and Settlement Agreement dated November 16, 2010. With this agreement, the County settled any outstanding debt for landfill and fire related protection and emergency ambulance services by the City through September 8, 2008 amounting to \$963,364 (\$869,663 plus 6% simple interest from January 30, 2009 through October 31, 2010). The agreement states that in lieu of cash payment by the County, the City will be able to deposit 2,408.41 tons (\$963,364/10 years/\$40) of Type I refuse in the County's landfill for ten (10) years at a credit to the City of \$40 per ton.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

**Interfund Receivable and Payable Balances**

The following summary of Interfund receivables and payables for the City as of September 30, 2017:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<i>Governmental Fund</i>		
<i>Major Funds:</i>		
General Fund	\$ 971,186	\$ 2,123,507
Debt Service Fund	-	-
Total Major Funds	<u>971,186</u>	<u>2,123,507</u>
<i>Non-Major Funds</i>		
<i>Special Revenue Funds:</i>		
Community Development Block Grant Fund	7,757	-
Urban Development Action Program	-	-
Recycling Program	-	-
Room Tax Program	-	261
Library	-	5,789
Stonegarden	-	138,464
Federal Forfeited Program	(467)	-
State Preventive Auto Theft Program	-	62,092
High Intensity Drug Traffic Areas Program	-	60,032
Disaster Relief Fund	(647)	-
Security Fund	-	1,192
Civic Center Facility Program	-	5,902
Main Street Fund	-	2,251
Self Help	-	116,492
PEG Fund	-	225
Storm Drainage Fund	71,969	-
<i>Capital Improvement Funds:</i>		
Capital Improvement	(79,271)	(79,244)
Capital Equipment Fund	-	-
Capital Improvement Series 2012	-	-
Capital Improvement Series 2013	6,438	136,239
Capital Improvement Series 2014	(38,288)	-
Capital Improvement Series 2015	1,955,188	-
Total Non-Major Funds	<u>1,922,679</u>	<u>449,695</u>
Total Governmental Funds	<u>\$ 2,893,865</u>	<u>\$ 2,573,202</u>
<i>Enterprise Fund:</i>		
<i>Major Funds</i>		
Water Works System	-	-
International Bridge System	-	157,440
Refuse Collection System	10,462	162,471
Total Enterprise Funds	<u>10,462</u>	<u>319,911</u>
<i>Internal Service Fund:</i>		
Dental Self-Insurance	61	-
Total Internal Service Fund	<u>61</u>	<u>-</u>
<i>Agency Funds:</i>		
Deposits Held	-	-
Payroll Fund	-	11,275
Total Agency Funds	<u>-</u>	<u>11,275</u>
Total	<u>\$ 2,904,388</u>	<u>\$ 2,904,388</u>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

The outstanding balances at year end result principally from short-term loans between funds which are the result of timing differences between transaction being recorded and payments by the funds.

These balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Capital Assets**

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

	<u>Beginning</u> <u>10/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>9/30/2017</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 1,377,029	\$ -	\$ -	\$ 1,377,029
Construction In Progress	10,924,720	1,795,340	-	12,720,060
Total assets not being depreciated	12,301,749	1,795,340	-	14,097,089
Capital assets, being depreciated:				
Buildings	2,700,317	-	-	2,700,317
Improvements other than Buildings	27,342,064	-	-	27,342,064
Equipment	17,895,808	448,650	-	18,344,458
Infrastructure	20,688,167	-	-	20,688,167
Total assets being depreciated	68,626,356	448,650	-	69,075,006
Less accumulated depreciation:				
Buildings	2,700,317	-	-	2,700,317
Improvements other than Buildings	8,290,322	492,071	-	8,782,393
Equipment	13,172,823	944,210	-	14,117,033
Infrastructure	14,986,278	517,204	-	15,503,482
Total accumulated depreciation	39,149,740	1,953,485	-	41,103,225
Total capital assets being depreciated, net	29,476,616	(1,504,835)	-	27,971,781
Government activities capital assets, net	\$ 41,778,365	\$ 290,505	\$ -	\$ 42,068,870
<b>Summary:</b>				
Capital Assets, net	\$ 30,853,645	\$ (1,504,835)	\$ -	\$ 29,348,810
Construction-In-Progress	10,924,720	1,795,340	-	12,720,060
Total	\$ 41,778,365	\$ 290,505	\$ -	\$ 42,068,870

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

	<u>Balance</u>			<u>Balance</u>
	<u>10/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/2017</u>
<i>Business-Type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 1,707,153	\$ 48,720	\$ -	\$ 1,755,873
Construction work in progress	<u>418,869</u>	<u>1,970,387</u>	<u>(62,119)</u>	<u>2,327,137</u>
Total assets not being depreciated	2,126,022	2,019,107	(62,119)	4,083,010
Capital assets, being depreciated:				
Water and Sewer System	156,708,164	394,490	-	157,102,654
Bridge System	31,218,689	639,484	-	31,858,173
Refuse Collection	<u>6,759,626</u>	<u>711,003</u>	<u>-</u>	<u>7,470,629</u>
Total assets being depreciated	194,686,479	1,744,977	-	196,431,456
Less: Accumulated Depreciation				
Water and Sewer System	40,107,058	3,780,887	-	43,887,945
Bridge System	11,127,740	776,983	-	11,904,723
Refuse Collection	<u>4,797,135</u>	<u>333,740</u>	<u>-</u>	<u>5,130,875</u>
Total accumulated depreciation	56,031,933	4,891,610	-	60,923,543
Total capital assets being depreciated, net	<u>138,654,546</u>	<u>(3,146,633)</u>	<u>-</u>	<u>135,507,913</u>
Total Capital Assets	<u>\$ 140,780,568</u>	<u>\$ (1,127,526)</u>	<u>\$ (62,119)</u>	<u>\$ 139,590,923</u>
Capital Assets, net	\$ 140,361,699	\$ (3,097,913)	\$ -	\$ 137,263,786
Construction-In-Progress	<u>418,869</u>	<u>1,970,387</u>	<u>(62,119)</u>	<u>2,327,137</u>
Total	<u>\$ 140,780,568</u>	<u>\$ (1,127,526)</u>	<u>\$ (62,119)</u>	<u>\$ 139,590,923</u>

The City in previous years was donated approximately 16.16 acres of land on which an International Trade Center (ITC) building was constructed. The gift warranty deed imposes on the City the requirement that the land is to be used primarily for public or governmental purposes, and if the property ceases to be used for the stated purposes, it automatically reverts to the donor.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

Additionally, the City in previous years applied, was offered and accepted a \$1,400,000 U.S. Department of Commerce (USDOC) Economic Development Administration grant for public works and economic development facilities. The funds were used for approximately twenty-five per-cent of construction cost of the ITC. The grant imposes a requirement on the City that if at any time the property on which USDOC funds were used is disposed, it must be compensated for the federal share of the value of the property, plus costs and interest.

Current year depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Amount</u>
<i>Governmental Activities:</i>	
General Government	\$ 351,627
Public Safety	996,277
Highways & Streets	214,883
Sanitation	68,372
Culture & Recreation	<u>322,326</u>
Depreciation Charged	<u>\$ 1,953,485</u>
<i>Business-Type Activities:</i>	
Water Works System	\$ 3,780,887
International Bridge System	776,983
Refuse Collection System	<u>333,740</u>
Depreciation Charged	<u>\$ 4,891,610</u>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

**Transfers**

	<u>Transfers In</u>	<u>Out (Use)</u>
<i>Governmental Funds:</i>		
General Fund	\$ <u>10,200,429</u>	\$ <u>4,950,048</u>
<i>Non-Major Funds:</i>		
<i>Special Revenue Funds</i>		
Community Development	-	-
Recycling Program	-	-
Room Tax Program	-	1,822,105
Texas Rental Rehab	-	-
Industrial Expansion Fund	-	-
Security Fund	-	-
Library	774,108	-
Civic Center Facility	523,384	279,934
Disaster Relief Fund	-	-
Main Street Fund	141,988	-
Storm Drainage Fund	-	-
Total Non-Major Funds	<u>1,439,480</u>	<u>2,102,039</u>
Debt Service Fund	<u>279,934</u>	<u>-</u>
Capital Equipment Fund	-	-
Capital Improvement Fund	<u>5,332,673</u>	<u>-</u>
<i>Total Governmental Funds</i>	<u>17,252,516</u>	<u>7,052,087</u>
<i>Enterprise Funds:</i>		
International Bridge System	-	10,000,429
Water Works System	-	200,000
Refuse Collection System	-	-
<i>Total Enterprise Funds</i>	<u>-</u>	<u>10,200,429</u>
<i>Internal Service Fund:</i>		
Self Insurance Dental	<u>-</u>	<u>-</u>
Total Transfers	<u>\$ 17,252,516</u>	<u>\$ 17,252,516</u>

Transfers from the Enterprise Funds were made to subsidized Governmental operations as is permitted by ordinance. Transfers from Governmental Funds, principally the General Fund, were made to fund Governmental operations, principally Special Revenue Funds. Receipts collected by other funds that were budgeted for debt service were transferred from the collecting fund to the fund that made the debt payments.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

**Debt**

Changes in Long-Term Debt are as follows:

	Balance, October 1, 2016	Additions	Reductions	September 30, 2017	Due Within One Year
<i>Governmental Activities</i>					
Bonds:					
Certificates of obligation	\$ 18,690,000	\$ -	\$ 645,000	\$ 18,045,000	\$ 655,000
Refunding bonds - C.O.	17,440,000	-	1,445,000	15,995,000	1,500,000
Premium on refunding	1,980,768	-	221,819	1,758,949	140,336
Discount on issuance	(66,679)	-	(3,865)	(62,814)	(3,865)
Compensated absences	776,432	1,079,356	846,979	1,008,809	250,000
Net Pension Liability	3,157,662	-	119,973	3,037,689	-
<b>Governmental Activities -Long-Term Liabilities</b>	<b>\$ 41,978,183</b>	<b>\$ 1,079,356</b>	<b>\$ 3,274,906</b>	<b>\$ 39,782,633</b>	<b>\$ 2,541,471</b>
<i>Business-Type Activities</i>					
Bonds:					
Revenue	\$ 26,865,000	\$ 21,570,000	\$ 7,330,000	\$ 41,105,000	\$ 2,930,000
Premium on refunding	-	262,068	-	262,068	17,471
Certificates of obligation	355,000	-	159,000	196,000	165,000
	27,220,000	21,832,068	7,489,000	41,563,068	3,112,471
Net Pension Liability	1,227,979	-	46,656	1,181,323	-
Landfill Closure/Post Closure	863,929	29,779	-	893,708	-
<b>Business-Type Activities - Long-Term Liabilities</b>	<b>\$ 29,311,908</b>	<b>\$ 21,861,847</b>	<b>\$ 7,535,656</b>	<b>\$ 43,638,099</b>	<b>\$ 3,112,471</b>

For the governmental activities, compensated absences and the net pension liability obligation are generally liquidated by the general fund. For the business-type activities, compensated absences, the net pension liability and landfill closure/post closure obligations are generally liquidated by the respective proprietary funds reporting those liabilities.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

The following is a summary of changes in debt for bonds by issue for the year ended September 30, 2017:

<b>Issue</b>	<b>Original Issue</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>Balance October 1, 2016</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance Sept. 30, 2017</b>	<b>Due within One Year</b>
<b>Certificate of Obligation:</b>								
Series 1998	389,000	2018	4.54-5.89	\$ 90,000	\$ -	\$ 29,000	\$ 61,000	\$ 30,000
Series 1998	1,810,000	2017	3.65-5.05	265,000	-	130,000	135,000	135,000
Series 2012	3,675,000	2028	3.48	2,135,000	-	-	2,135,000	-
Series 2013	8,500,000	2033	3.79	7,805,000	-	355,000	7,450,000	365,000
Series 2015	8,935,000	2035	3.0-4.0	8,750,000	-	290,000	8,460,000	290,000
	<b>Total Co Bonds</b>			19,045,000	-	804,000	18,241,000	820,000
<b>Refunding Bonds - C.O.:</b>								
Series 2010	6,760,000	2027	4.55	4,795,000	-	355,000	4,440,000	365,000
Series 2011	4,815,000	2030	3.70	3,750,000	-	175,000	3,575,000	190,000
Series 2012	5,315,000	2024	3.01	4,110,000	-	390,000	3,720,000	400,000
Series 2016	4,855,000	2031	Various	4,785,000	-	525,000	4,260,000	545,000
	<b>Total Refunding Bonds</b>			17,440,000	-	1,445,000	15,995,000	1,500,000
<b>Revenue Bonds:</b>								
Series 1998	19,635,000	2018	3.8-5.25	245,000	-	120,000	125,000	125,000
Series 2003A	7,455,000	2032	.25-3.70	3,005,000	-	2,725,000	280,000	140,000
Series 2003B	11,545,000	2034	-	7,310,000	-	385,000	6,925,000	385,000
Series 2003C	10,110,000	2024	3.20	3,440,000	-	2,385,000	1,055,000	520,000
Series 2004	1,880,000	2022	2.9-5.9	70,000	-	60,000	10,000	10,000
Series 2004A	5,400,000	2033	-	4,300,000	-	65,000	4,235,000	70,000
Series 2004B	700,000	2023	.60-4.05	40,000	-	35,000	5,000	5,000
Series 2006	8,620,000	2018	3.95	2,840,000	-	1,390,000	1,450,000	1,450,000
Series 2013	5,795,000	2042	2.54	5,615,000	-	165,000	5,450,000	165,000
Series 2016	17,090,000	2046	0.00 - 1.870	-	17,090,000	-	17,090,000	-
Series 2017	4,480,000	2032	2.0 - 4.0	-	4,480,000	-	4,480,000	60,000
	<b>Total Revenue Bonds</b>			26,865,000	21,570,000	7,330,000	41,105,000	2,930,000
<b>Total Debt</b>				<b>\$ 63,350,000</b>	<b>\$ 21,570,000</b>	<b>\$ 9,579,000</b>	<b>\$ 75,341,000</b>	<b>\$ 5,250,000</b>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

Annual requirements to retire bond debt obligations are as indicated:

Year ending September 30,	Certificates of Obligation			
	Governmental Activities			
	General Obligation		Refunding Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 655,000	\$ 664,642	\$ 1,500,000	\$ 576,485
2019	675,000	648,367	1,550,000	522,870
2020	715,000	628,167	1,620,000	464,285
2021	755,000	603,092	1,665,000	403,563
2022	940,000	573,167	1,570,000	341,760
2023-2027	5,365,000	2,291,582	6,805,000	803,516
2028-2032	6,495,000	1,170,934	1,285,000	72,259
2033-2037	2,445,000	125,253	-	-
	<u>\$ 18,045,000</u>	<u>\$ 6,705,204</u>	<u>\$ 15,995,000</u>	<u>\$ 3,184,738</u>

Year ending September 30,	Certificates of Obligations	
	Business - Type Activities	
	Principal	Interest
2018	\$ 165,000	\$ 6,111
2019	31,000	913
2020	-	-
2021	-	-
	<u>\$ 196,000</u>	<u>\$ 7,024</u>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

Year ending September 30,	Revenue Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ -	\$ -	\$ 2,930,000	\$ 681,400
2019	-	-	1,950,000	664,748
2020	-	-	1,955,000	444,770
2021	-	-	1,975,000	428,568
2022	-	-	2,000,000	411,010
2023-2027	-	-	7,425,000	1,866,857
2028-2032	-	-	8,390,000	1,470,239
2033-2037	-	-	6,245,000	968,963
2038-2042	-	-	4,450,000	585,194
2043-2047	-	-	3,785,000	169,477
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,105,000</u>	<u>\$ 7,691,226</u>

*New Debt (Business-Type Activities) Refunding of Old Debt*

On September 26, 2017, the Water Works System issued Revenue Bonds, Series 2017 dated August 15, 2017, for \$4,480,000 having an interest rate of 2.0% to 4.0%. The funds were used to advance refund and pay outstanding Revenue Bonds Series 2003A, Series 2003C, Series 2004B, and Series 2004 totaling \$4,545,000 (The Refunded Bonds).

The Water Works System deposited the net proceeds \$4,594,789 in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, that portion of the 2003A, 2003C, 2004 and 2004B bonds are considered defeased, and the System has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$4,545,000 at September 30, 2017.

This advance refunding was sold at a total premium of \$262,068 and resulted in a deferred amount on the refunding of \$49,789. The premium and deferred amount on the refunding will be amortized over the life of the above refunding bonds. The advance refunding reduced total debt service payments over the next 15 years by \$240,383. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$212,100.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

On December 1, 2016, the Water Works System issued the City of Eagle Pass, Texas Waterworks and Sewer System Revenue Bonds, Series 2016 in the amount of \$17,090,000 for the purpose of building, improving, extending, enlarging, or repairing the System and having an interest rate of 0.00% to 1.870%.

**Debt Limitation**

The Constitution of the State of Texas provides that ad valorem taxes levied by the City for debt service and maintenance and operation purposes shall not exceed \$2.50 for each \$100 of assessed valuation of taxable property. There is no limitation within the \$2.50 rate for interest and sinking fund purposes; however, it is the policy of the Attorney General of the State of Texas to prohibit the issuance of debt by a city if such issuance produces debt service requirements that exceed the amount that can be paid from the \$1.50 tax rate calculated at 90.0% collections.

**Debt Compliance**

There are a number of limitations and restrictions contained in the bond indentures for the Certificates of Obligation, Tax Notes and Revenue Bonds and City ordinances authorizing the bonds indentures. The City is substantially in compliance with all significant debt limitations and restrictions.

**Texas Water Code**

The City is compliant with applicable requirements of Section 16.356 of the Texas Water Code relating to transfers of funds associated with Economically Distressed Areas Program (EDAP) funded projects.

All revenues derived from EDAP funded projects are used solely for utility purposes.

**Accrued Compensated Absences**

For the governmental activities, any claims and judgments are generally liquidated by the General Fund. Compensated absences are generally liquidated by the General Fund, and the Refuse Collection and Landfill Funds (both enterprise funds).

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

**Other Information**

**Risk Management**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There are several pending lawsuits in which the City is involved. The City Attorney estimates that the potential claim against the City not covered by insurance and resulting from such litigation would not materially affect the financial statements of the City.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, damage awards (including frequency and amount of payouts), and economic and social trends. Accordingly, claims are reevaluated periodically to consider the effects of such factors. The estimate of the claims and other amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

At September 30, 2017, the City was insured for the following risk exposures:

General Liability	Errors and Omissions	Law Enforcement
Building and Contents	Mobile Equipment	Workers Compensation
Boiler and Machinery	Crime Fidelity & Forgery	

The Texas Municipal League Intergovernmental Risk Pool provides insurance coverage for all major risk exposures listed above. Also, the City provides its current employees with medical and life insurance. Dependent coverage is available at the employees' expense. Medical and life coverage is through Aetna.

The City's insurance coverage for all its risk exposure has remained at the same level since the last increase approximately five years ago. No claims or settlements have exceeded its insurance coverage for the last three years, or for any other year.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

Through an intergovernmental local agreement, the City is a member of the above mentioned public entity risk pools. These pools are not intended to operate as an insurance company, but rather are intended to be the contracting mechanism by which each member of the pool provides self-insurance workers' compensation benefits to its employees, liability coverage for itself and its employees in their official capacity and coverage for its property. The pool will defend and pay on behalf of the member any valid claim less appropriate deductibles and co-insurance, up to the stop-loss limit. The City, as member, agrees to make prompt notices of claims, premium payments, and cooperation in implementing loss control measures or managed care controls as may be recommended by the pool.

**Contingent Liabilities**

**Grants**

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

**Litigation**

There are currently several claims and lawsuits pending against the City. It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City or that would exceed the contingency amounts set aside for such purpose.

**Arbitrage**

The City has issued certain tax-exempt obligations that are subject to Internal Revenue Service (IRS) arbitrage regulations. Noncompliance with these regulations, which pertain to the utilization and investment proceeds, can result in penalties, including the loss of the tax-exempt status of the applicable obligations retroactive to the date of original issuance. In addition, the IRS requires that interest income earned on proceeds in excess of the arbitrage rate on applicable obligations be rebated to the federal government. The City monitors its bond proceeds in

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

relation to arbitrage regulations, and “arbitrage rebate” is estimated and recorded in these financial statements when susceptible to accrual. No arbitrage rebates were accrued at September 30, 2017.

**Construction Commitments and Other Commitments Including Encumbrances**

The City’s governmental activities and government funds had the following outstanding construction and other commitments or encumbrances as September 30, 2017. The City’s general and debt service funds had no construction commitments and other commitments including encumbrances as of September 30, 2017.

The City’s non-major governmental funds had several commitments for Library Renovations, Light-up Downtown project, Public Safety Complex for the Police and Fire department, and renovations to the Burr Park Gymnasium and Skatepark for the Parks and Recreation department in a total amount of \$19,224,141. The amount remaining for these contracts as of September 30, 2017 was \$7,428,261.

As of September 30, 2017, the City’s business-type activities and its proprietary funds had the following outstanding construction and other commitments:

As of September 30, 2017, the Water Works System had two construction contract commitments to provide maintenance and design to the System’s Maintenance Building for Meter Department and Water Distribution System Department in the amount of \$1,435,723. The amount remaining for both contracts as of September 30, 2017, was \$1,176,793.

The International Bridge System in cooperation with the Texas Department of Transportation is in the process of expanding commercial lanes of the Camino Real International Bridge, also known as Bridge II. The project is budgeted to cost approximately \$6,743,968. Of this, Federal participation will pay for \$3,800,000, State participation is \$1,119,236 and City participation is \$1,824,732 of which \$6,231,555 has been paid. This balance of \$129,261 is funded and will be paid as requested during the project.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

The project constitutes an unconditional gift to the Public Buildings Service of the U.S. General Services Administration and the U.S. Customs and Border Protection of the U.S. Department of Homeland Security. All costs associated with the project will be expensed and upon completion, the City will donate the project to the Federal government.

**Defined Benefit Pension Plans**

**Plan Description**

The City participates as one of 812 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.tmr.com](http://www.tmr.com).

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

**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.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

*Employees covered by benefit terms.*

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

<u>Type of Employee</u>	<u>Number</u>
Inactive employees or beneficiaries currently receiving benefits	170
Inactive employees entitled to but not yet receiving benefits	129
Active Employees	<u>406</u>
<b>TOTAL</b>	<u><u>705</u></u>

**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. The City's contribution rates are 5% and 200%, respectively. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.0% and 10.0% in fiscal years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$1,352,080, and were equal to the required contributions.

**Net Pension Liability**

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

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – 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	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used, with male 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 was 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 EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – 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, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

***Discount Rate***

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

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

<b>Changes in the Net Pension Liability</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balance at 12/31/2015</b>	\$ <u>60,989,111</u>	\$ <u>56,603,470</u>	\$ <u>4,385,641</u>
Changes for the year:			
Service cost	1,791,443	-	1,791,443
Interest	4,079,199	-	4,079,199
Change of benefit terms	-	-	-
Difference between expected and actual experience	(137,643)	-	(137,643)
Changes of assumptions	-	-	-
Contributions - employer	-	1,367,448	(1,367,448)
Contributions - employee	-	753,000	(753,000)
Net investment income	-	3,824,711	(3,824,711)
Benefit payments, including refunds of employee contributions	(2,904,498)	(2,904,498)	-
Administrative expense	-	(43,203)	43,203
Other changes	-	(2,328)	2,328
<b>Net changes</b>	<u>2,828,501</u>	<u>2,995,130</u>	<u>(166,629)</u>
<b>Balance at 12/31/2016</b>	\$ <u>63,817,612</u>	\$ <u>59,598,600</u>	\$ <u>4,219,012</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:

	<b>1% Decrease in Discount Rate</b>	<b>Discount Rate</b>	<b>1% Increase in Discount Rate</b>
	<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
City's Net Pension Liability	\$ <u>13,454,967</u>	\$ <u>4,219,012</u>	\$ <u>(3,323,703)</u>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

*Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$2,129,887.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 485,008
Changes in actuarial assumptions	18,656	-
Difference between projected and actual investment earning	2,623,424	-
Contributions subsequent to the measurement date of December 31, 2016	<u>995,123</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 3,637,203</u></b>	<b><u>\$ 485,008</u></b>

The \$995,123 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.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2018	\$ 787,448
2019	787,449
2020	654,995
2021	(57,636)
2022	<u>(15,184)</u>
<b>TOTAL</b>	<b>\$ <u>2,157,072</u></b>

**Supplemental Death Benefits Plan**

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

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

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

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

The City's contributions to the TMRS SDBF for the years ended September 2017, 2016, and 2015 were \$27,268, \$26,937; and \$25,983; respectively, which equaled the required contributions each year.

**Solid Waste Landfill Closure and Post-Closure Care Cost**

The City at year-end operated one active landfill site. State and federal laws and regulations require the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years (30) after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability is being recognized based on the landfill capacity used as of each statement of net position date. These future closure and post closure care costs will be paid only near or after the date the landfill no longer accepts waste. The \$893,708 reported as landfill closure and post-closure care liability at September 30, 2017, represents the cumulative amount reported to date based on the use of 45.02% of the estimated capacity of the landfill. The current change recognized in this fiscal year is \$29,779. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,090,719 as the remaining estimated capacity is filled. The City estimates the useful life as of September 30, 2017, to be approximately twenty-five (25) years. The estimated total current cost of the landfill closure and post closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of September 30, 2017. However, the actual cost of closure and post closure care may change due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required under the provisions of the Texas Administrative Code to provide financial assurance to the Texas Commission on Environmental Quality related to the closure of municipal solid waste facilities. As such financial assurance is required to ensure that funds are available, when needed, to meet costs associated with the closure of the City's landfill. The City has satisfied the financial assurances of the State.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4: DETAILED NOTES ON ALL FUNDS – Continued**

**Expenditures in Excess of Appropriations**

Departmental expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>General Fund</i>			
Highway and Streets	\$ 2,268,244	\$ 2,289,713	\$ 21,469
Total	<u>\$ 2,268,244</u>	<u>\$ 2,289,713</u>	<u>\$ 21,469</u>

**Miscellaneous Revenue**

In the Statement of Activities – Governmental Activities and Business-Type Activities miscellaneous revenue consists of the following:

<u>Description</u>	<u>Amount</u>
Insurance Proceeds	\$ 18,511
Other	<u>83,210</u>
<b>Total</b>	<b>\$ <u>101,721</u></b>

*Business-Type Activities:*

<u>Description</u>	<u>Amount</u>
Insurance Proceeds	\$ -
Other	<u>67,655</u>
<b>Total</b>	<b>\$ <u>67,655</u></b>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS – Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 4:      DETAILED NOTES ON ALL FUNDS – Continued**

**Subsequent Events**

Subsequent events were evaluated through March 20, 2018, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION -  
OTHER THAN MD&A (UNAUDITED)**

CITY OF EAGLE PASS, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 4,613,941	\$ 4,743,941	\$ 4,749,327	\$ 5,386
General Sales and Use Taxes	4,784,811	4,664,811	4,765,394	100,583
Franchise Tax	982,663	982,663	1,191,397	208,734
Other Taxes	9,926	9,926	7,752	(2,174)
Penalty and Interest on Taxes	81,214	81,214	108,312	27,098
Licenses and Permits	250,938	250,938	271,223	20,285
Intergovernmental Revenue and Grants	975	975	158,131	157,156
Charges for Services	1,600,012	1,600,012	1,783,536	183,524
Fines	449,343	449,343	411,960	(37,383)
Investment Earnings	12,450	12,450	20,517	8,067
Rents and Royalties	68,550	68,550	86,024	17,474
Other Revenue	130,700	130,700	286,694	155,994
Total Revenues	12,985,523	12,995,523	13,840,267	844,744
<b>EXPENDITURES</b>				
Current:				
General Government	5,245,938	5,188,438	4,635,902	552,536
Public Safety	9,356,522	9,183,522	8,968,932	214,590
Highway and Streets	2,345,244	2,268,244	2,289,713	(21,469)
Sanitation	142,501	136,001	125,598	10,403
Culture and Recreation	2,671,574	2,690,074	2,591,962	98,112
Debt Service:				
Bond Principal	-	-	-	-
Capital Outlay:				
Capital Outlay	249,525	540,525	412,516	128,009
Total Expenditures	20,011,304	20,006,804	19,024,623	982,181
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,025,781)	(7,011,281)	(5,184,356)	1,826,925
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	9,392,352	9,842,352	10,200,429	(358,077)
Transfers Out	(1,117,375)	(1,117,375)	(4,950,048)	3,832,673
Insurance Proceeds	-	-	18,511	(18,511)
Total Other Financing Sources (Uses)	8,274,977	8,724,977	5,268,892	3,456,085
Net Change in Fund Balances	1,249,196	1,713,696	84,536	1,629,160
Fund Balance - October 1 (Beginning)	5,793,965	6,384,902	6,575,686	(190,784)
Fund Balance - September 30 (Ending)	\$ 7,043,161	\$ 8,098,598	\$ 6,660,222	\$ 1,438,376

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 LAST 10 YEARS (will ultimately be displayed)

Measurement Year	2014	2015	2016
Actuarial Valuation Date	12/31/2014	12/31/2015	12/31/2016
<b>Total Pension Liability</b>			
Service Cost	\$ 1,483,765	\$ 1,702,163	\$ 1,791,443
Interest (on the Total Pension Liability)	3,859,638	4,040,329	4,079,199
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(259,628)	(385,422)	(137,643)
Changes of assumptions	-	35,935	-
Benefit payments, including refunds of employee contributions	(2,679,763)	(2,543,585)	(2,904,498)
<b>Net Change in Total Pension Liability</b>	2,404,012	2,849,420	2,828,501
<b>Total Pension Liability - Beginning</b>	55,735,679	58,139,691	60,989,111
<b>Total Pension Liability - Ending (a)</b>	\$ 58,139,691	\$ 60,989,111	\$ 63,817,612
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 1,415,565	\$ 1,393,129	\$ 1,367,448
Contributions - Employee	705,218	723,388	753,000
Net Investment Income	3,116,393	84,107	3,824,711
Benefit payments, including refunds of employee contributions	(2,679,763)	(2,543,585)	(2,904,498)
Administrative Expense	(32,537)	(51,230)	(43,203)
Other	(2,675)	(2,530)	(2,328)
<b>Net Change in Plan Fiduciary Net Position</b>	2,522,201	(396,721)	2,995,130
<b>Plan Fiduciary Net Position - Beginning</b>	54,477,990	57,000,191	56,603,470
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 57,000,191	\$ 56,603,470	\$ 59,598,600
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 1,139,500	\$ 4,385,641	\$ 4,219,012
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	98%	93%	93%
<b>Covered-Employee Payroll</b>	\$ 14,079,150	\$ 14,437,342	\$ 14,991,154
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	8%	30%	28%

**SCHEDULE OF CONTRIBUTIONS**  
**LAST 10 YEARS (will ultimately be displayed)**

Fiscal Year	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 1,386,668	\$ 1,393,699	\$ 1,352,080
Contributions in relation to the actuarially determined contribution	<u>1,386,668</u>	<u>1,393,699</u>	<u>1,352,080</u>
Contribution Deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered Employee Payroll	\$ <u>14,973,327</u>	\$ <u>15,416,210</u>	\$ <u>15,683,750</u>
Contributions as a Percentage of Covered Employee Payroll	<u>9%</u>	<u>9%</u>	<u>9%</u>

**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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year

## **SINGLE AUDIT INFORMATION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Honorable Mayor and  
Members of the City Council of  
Eagle Pass, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Pass, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

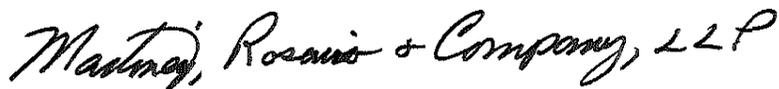
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Martinez, Rosario & Company, LLP  
Certified Public Accountants  
San Antonio, Texas

March 30, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and  
Members of the City Council of  
Eagle Pass, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the City of Eagle Pass, Texas (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martinez, Rosario & Company, LLP*

Martinez, Rosario & Company, LLP  
Certified Public Accountants  
San Antonio, Texas

March 30, 2018

**CITY OF EAGLE PASS, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2017**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statement:*

Type of auditor's report: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   ✓   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   ✓   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   ✓   No

*Federal or State Awards:*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   ✓   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   ✓   None Reported

Type of auditor's report issued on compliance for major programs: *Unmodified– Operation Stonegarden– Federal Unmodified – High Intensity Drug Trafficking Area Program - Federal*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance? \_\_\_\_\_ Yes   ✓   No

**Identification of major federal programs:**

CFDA Number(s)	Name of Federal Program or Cluster
97.067	Operation Stonegarden
95.001	High Intensity Drug Trafficking Area Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   ✓   Yes \_\_\_\_\_ No

**CITY OF EAGLE PASS, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
For the Year Ended September 30, 2017**

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**SECTION II – FINANCIAL STATEMENTS FINDINGS**

None noted.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**CITY OF EAGLE PASS, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended September 30, 2017**

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There were no prior year audit findings.

CITY OF EAGLE PASS, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For The Year Ended September 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<b><u>FEDERAL AWARDS</u></b>			
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Pass through the Texas Department of Housing and Community Affairs Colonia Self-Help Center Program	14.228	7251003	\$ <u>63,757</u>
<b>Total U.S. Department of Housing and Urban Development</b>			63,757
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Federal Highway Administration Pass through the Texas Department of Transportation CBI - International Bridge II Facility	20.205	CSJ:0922-10-029	1,451,323
Federal-Aid Highway Program-Local Transportation Project	20.205	CSJ:0276-06-010	<u>139,720</u>
<b>Total U.S. Department of Transportation</b>			1,591,043
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Program:			
High Intensity Drug Trafficking Area Program	95.001	G17SS0012A	156,620
High Intensity Drug Trafficking Area Program	95.001	G16SS0012A	207,486
Alcohol Tobacco Firearms	16.012	16-HOU-263-AFF	<u>1,541</u>
<b>Total U.S. Department of Justice</b>			365,647
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Customs and Border Protection Pass through Kickapoo Traditional Tribe of Texas Operation Stonegarden	97.067	3182302	40,940
Operation Stonegarden	97.067	3182301	<u>233,776</u>
<b>Total U.S. Department of Homeland Security</b>			<u>274,716</u>
<b>TOTAL FEDERAL AWARDS</b>			\$ <u><u>2,295,163</u></u>
<b><u>STATE AWARDS</u></b>			
<b>TEXAS DEPARTMENT OF TRANSPORTATION</b>			
Texas Automobile Burglary and Theft Prevention Authority	N/A	608-18-1620100	\$ 139,405
Texas Automobile Burglary and Theft Prevention Authority	N/A	608-17-1620100	<u>44,175</u>
<b>Total Texas Department of Transportation</b>			<u>183,580</u>
<b>TOTAL STATE AWARDS</b>			<u>183,580</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ <u><u>2,478,743</u></u>

See Notes to Schedule of Expenditures of Federal and State Awards.

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended September 30, 2017**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFA) includes the federal and state grant activity of the City for the year ended September 30, 2017. The information in the SEFA is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to, and does not present, the financial position, changes in net position, or cash flows of the City.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting - The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entity identifying numbers are presented where available.

Revenue Recognition - Federal awards programs are reported in the City's financial statements as follows:

	<u>Amount</u>
Governmental Activities - Operating Grants and Contributions	\$ 1,115,095
Business - Type Activities - Capital Grants and Contributions	<u>1,451,323</u>
<b>Total Expenditures of Federal, State and Other Awards</b>	2,566,418
<b>Less: Total Expenditures of State Awards</b>	(183,580)
<b>Less: Other Awards</b>	<u>(87,675)</u>
<b>Total State and Other Awards</b>	<u>(271,255)</u>
<b>Total Expenditures of Federal Awards</b>	<u><u>\$ 2,295,163</u></u>

**CITY OF EAGLE PASS, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - Continued**  
**For the Year Ended September 30, 2017**

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**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with grantor agencies because of different program year-ends, different methods of accounting (cash versus modified accrual basis), and estimates made by management.

Match – The City identified non-federal matches for the Federal-Aid Highway Program – Local Transportation Project CFDA #20.205 of \$1,007,391 for the year ended September 30, 2017. The City met the match requirements for the grant.