

*ANNUAL FINANCIAL REPORT*

of the

**City of Diboll, Texas**

**For the Year Ended  
September 30, 2016**

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# City of Diboll, Texas

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*INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and  
Members of the City Council  
City of Diboll, 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 Diboll, Texas (the "City"), as of and for the year ended September 30, 2015, 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*

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

*Auditor's Responsibility*

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

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

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

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

### *Opinion*

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, 2016, 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, pension information and budgetary comparison information 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 Supplementary 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 supplementary information, such as the combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

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

A handwritten signature in black ink that reads "Brooks Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC  
Certified Public Accountants  
The Woodlands, Texas  
December 30, 2016

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*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*

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# City of Diboll, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2016

As management of the City of Diboll, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

### Financial Highlights

- The City's total combined net position was \$9,507,140 at September 30, 2016. Of this, \$338,814 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$811,411, a decrease of \$193,804.
- As of the end of the year, the unassigned fund balance of the general fund was \$388,410 or 13% of total general fund expenditures.
- The City had an overall decrease in net position of \$1,230,843, which is due to a decrease in revenues that occurred in the current year while expenses remained relatively consistent compared to prior year.
- The City closed the year with a net pension liability of \$1,712,235.

### Overview of the Financial Statements

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

### Government-Wide Statements

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

# City of Diboll, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

The City of Diboll, Texas maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, street improvement fund and the civic center renovation fund, which are considered to be major funds. The debt service fund is considered nonmajor, but the City has chosen to present the fund as a major fund. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Diboll, Texas adopts an annual appropriated budget for its general, garbage, debt service and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with general, garbage and debt service fund budgets.

# City of Diboll, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

*Proprietary Funds.* The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment and water construction operations. The proprietary fund financial statements provide separate information for the water distribution, and wastewater collection/treatment fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance and purchase of equipment.

**Notes to Financial Statements.** The notes to the financial statements provide additional information that is necessary to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees.

### **Government-Wide Financial Analysis**

As noted previously, net position over time, may serve as a useful indicator of the City's financial position. For the City of Diboll, Texas, assets exceed liabilities by \$9,507,140 as of September 30, 2016.

The largest portion of the City's net position, \$8,745,325, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**City of Diboll, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2016**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2016			2015		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 1,533,516	\$ 1,735,199	\$ 3,268,715	\$ 2,481,058	\$ 1,929,473	\$ 4,410,531
Capital assets, net	6,034,346	9,706,155	15,740,501	6,297,330	10,269,374	16,566,704
<b>Total Assets</b>	<b>7,567,862</b>	<b>11,441,354</b>	<b>19,009,216</b>	<b>8,778,388</b>	<b>12,198,847</b>	<b>20,977,235</b>
<b>Deferred Outflows of</b>						
<b>Resources</b>	497,089	222,362	719,451	179,046	84,459	263,505
Other liabilities	728,701	759,174	1,487,875	788,998	954,430	1,743,428
Long-term liabilities	4,211,447	4,520,106	8,731,553	3,976,562	4,782,767	8,759,329
<b>Total Liabilities</b>	<b>4,940,148</b>	<b>5,279,280</b>	<b>10,219,428</b>	<b>4,765,560</b>	<b>5,737,197</b>	<b>10,502,757</b>
<b>Deferred Inflows of</b>						
<b>Resources</b>	1,450	649	2,099	-	-	-
Net Position:						
Net investment in						
capital assets	3,578,468	5,166,857	8,745,325	3,578,468	5,315,525	8,893,993
Restricted	423,001	-	423,001	566,448	-	566,448
Unrestricted	(878,116)	1,216,930	338,814	46,958	1,230,584	1,277,542
<b>Total Net Position</b>	<b>\$ 3,123,353</b>	<b>\$ 6,383,787</b>	<b>\$ 9,507,140</b>	<b>\$ 4,191,874</b>	<b>\$ 6,546,109</b>	<b>\$ 10,737,983</b>

**City of Diboll, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2016**

**Statement of Activities:**

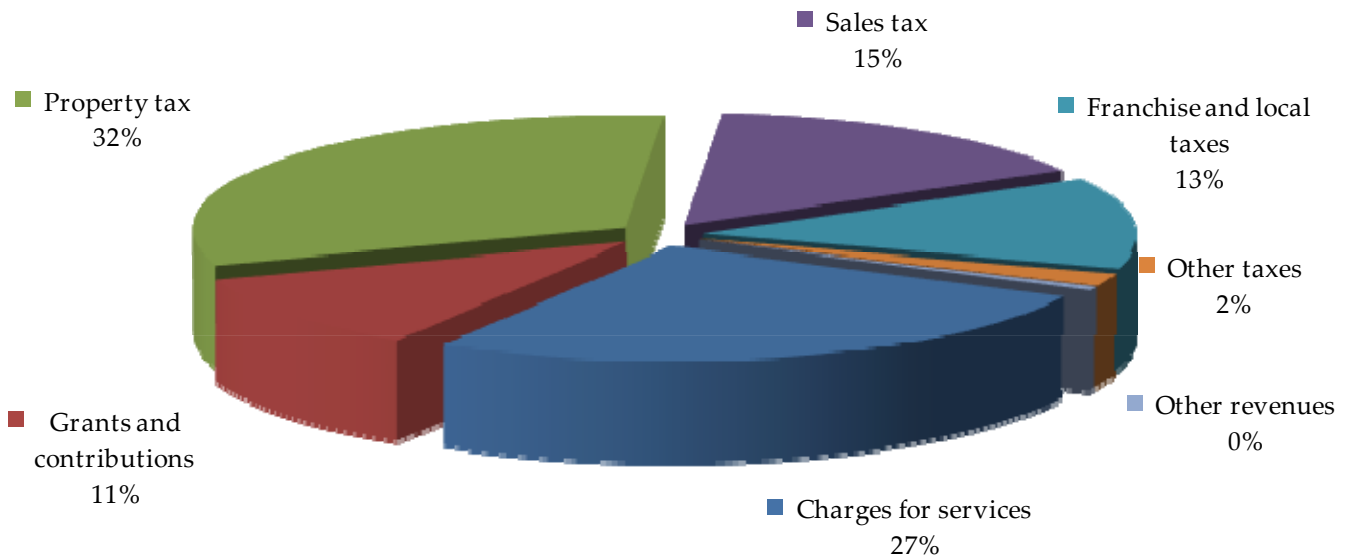
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2016			For the Year Ended September 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 967,247	\$ 2,582,198	\$ 3,549,445	\$ 141,130	\$ 2,560,639	\$ 2,701,769
Grants and contributions	396,537	101,500	498,037	283,022	57,000	340,022
General revenues:						
Property tax	1,154,114	-	1,154,114	1,088,144	-	1,088,144
Sales tax	564,443	-	564,443	683,645	-	683,645
Franchise and local taxes	468,526	-	468,526	561,083	-	561,083
Other taxes	66,059	-	66,059	65,030	-	65,030
Investment income	2,328	-	2,328	1,010	-	1,010
Other revenues	17,997	661	18,658	44,896	668	45,564
<b>Total Revenues</b>	<b>3,637,251</b>	<b>2,684,359</b>	<b>6,321,610</b>	<b>2,867,960</b>	<b>2,618,307</b>	<b>5,486,267</b>
<b>Expenses</b>						
General government	498,382	-	498,382	531,145	-	531,145
Municipal court	84,448	-	84,448	84,417	-	84,417
Public safety	1,739,186	-	1,739,186	1,619,847	-	1,619,847
Public works	1,644,423	-	1,644,423	1,350,748	-	1,350,748
Cultural and recreation	535,828	-	535,828	530,712	-	530,712
Interest and fiscal charges	84,738	-	84,738	88,683	-	88,683
Water & sewer	-	2,126,794	2,126,794	-	2,285,384	2,285,384
Golf course	-	838,654	838,654	-	741,985	741,985
<b>Total Expenses</b>	<b>4,587,005</b>	<b>2,965,448</b>	<b>7,552,453</b>	<b>4,205,552</b>	<b>3,027,369</b>	<b>7,232,921</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	(949,754)	(281,089)	(1,230,843)	(1,337,592)	(409,062)	(1,746,654)
Transfers in (out)	(118,767)	118,767	-	(336,519)	336,519	-
<b>Total</b>	<b>(118,767)</b>	<b>118,767</b>	<b>-</b>	<b>(336,519)</b>	<b>336,519</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(1,068,521)</b>	<b>(162,322)</b>	<b>(1,230,843)</b>	<b>(1,674,111)</b>	<b>(72,543)</b>	<b>(1,746,654)</b>
Beginning Net Position	4,191,874	6,546,109	10,737,983	5,865,985	6,618,652	12,484,637
<b>Ending Net Position</b>	<b>\$ 3,123,353</b>	<b>\$ 6,383,787</b>	<b>\$ 9,507,140</b>	<b>\$ 4,191,874</b>	<b>\$ 6,546,109</b>	<b>\$ 10,737,983</b>

**City of Diboll, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2016**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

**Governmental Activities - Revenues**



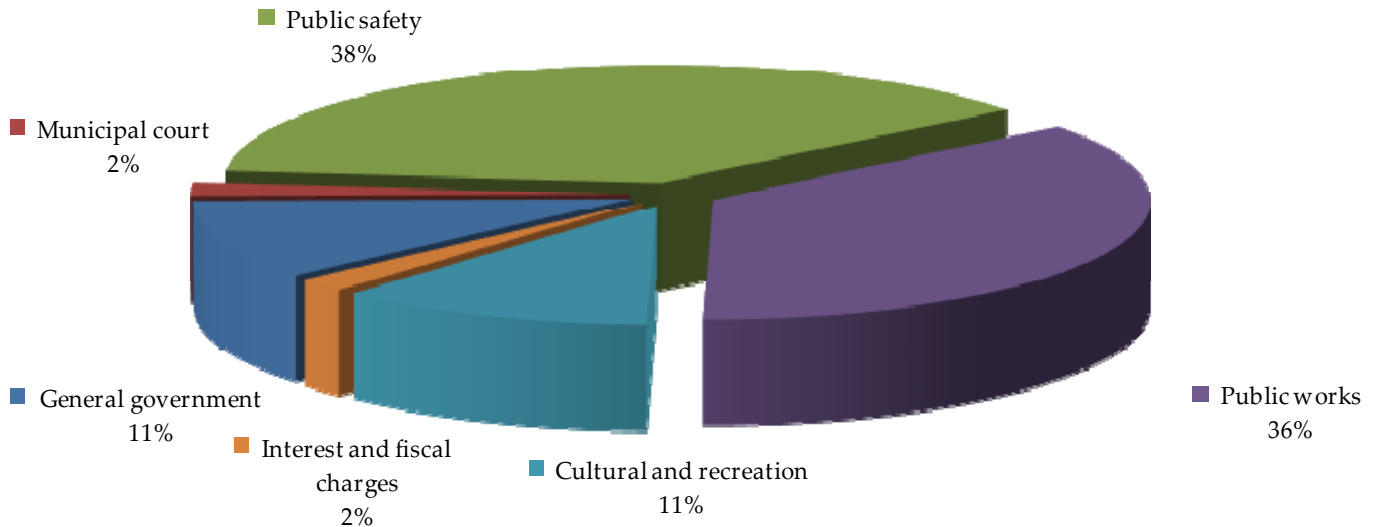
For the year ended September 30, 2016, revenues from governmental activities totaled \$3,637,251. Charges for services, property tax, sales tax and franchise taxes were the City's largest revenue sources. Grants and contributions increased \$113,515 or 23% due to the City's annual grant receipts combined with their assumption of the local sports association. Property taxes increased by \$65,970 or 6% while sales tax decreased by \$119,202 or 21%.



**City of Diboll, Texas**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
September 30, 2016

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



For the year ended September 30, 2016, expenses for governmental activities totaled \$4,587,005. This represents an increase of \$381,453 or 3% from the prior year. Public safety and public works are the City's largest functional expenses of \$1,739,186 and \$1,644,423, respectively. General government expenses decreased by \$32,763 or 7% compared to the previous year predominantly due to reduced workers compensation expenses. Public works expenses increased by \$293,675 or 18% due primarily to increased personnel expenses and depreciation charges. All other expenditures remained relatively consistent with the previous year.

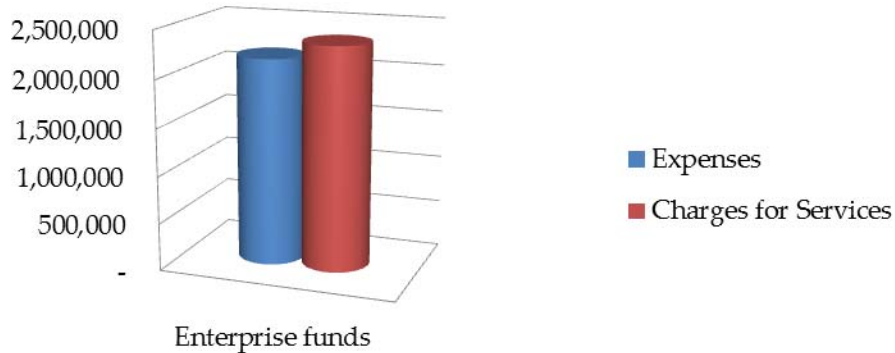
# City of Diboll, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

Business-type activities are shown comparing operating costs to revenues generated by related services.

### Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2016, charges for services by business-type activities totaled \$2,582,198. This is a decrease of \$21,559, or 1%, from the previous year and is relatively consistent. In addition, the golf course fund received a nonrecurring contribution of \$44,500.

Water and sewer expenses increased by \$158,590 or 7% due to a rise in depreciation costs as well as additional maintenance costs. The golf course fund expenses increased by \$96,669 or 13% compared to last year primarily due to increased personnel expenses and grant related expenses.

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$388,410. The general fund demonstrated a decrease in fund balance of \$50,357 due to transfers to other funds such as the golf course and non-major funds.

There was an decrease in governmental fund balance of \$193,804 over the prior year. The decrease is directly related to the increase of capital assets expenditures in the current year.

# City of Diboll, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

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

### GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total negative budget variance of \$5,385 in the general fund. All revenue sources received more revenue than anticipated with the exception of interest income. Expenditures for municipal court, cultural and recreation, principal and interest, and capital outlay exceeded that which was budgeted. There were no supplemental budget appropriations made during the year.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$6,034,346 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$9,706,155 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Renovations to the City's splashpad in the amount of \$73,505.
- Replacing bleachers for \$41,035.
- The addition of a jet machine in the amount of \$109,922.
- The purchase of aerators for \$30,829.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

# City of Diboll, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2016

### LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$6,490,000 and capital leases amounting to \$411,903. During the year, the City had a net reduction in the long-term debt of \$583,821. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council strive to present a fiscally responsible budget while continuing to provide quality service to their community, in addition to increasing tourism and the use of the City's exceptional public facilities.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Diboll, Texas's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, 400 Kenley St., Diboll, Texas 75941.

## ***FINANCIAL STATEMENTS***

**City of Diboll, Texas**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 905,055	\$ 78,913	\$ 983,968
Restricted cash	-	1,436,238	1,436,238
Receivables, net	350,632	314,183	664,815
Land held for sale	170,220	-	170,220
Due from agency fund	8,042	-	8,042
Internal balances	99,567	(99,567)	-
Prepays	-	5,432	5,432
<b>Total Current Assets</b>	<b>1,533,516</b>	<b>1,735,199</b>	<b>3,268,715</b>
Capital assets:			
Non-depreciable	32,000	214,887	246,887
Net depreciable capital assets	6,002,346	9,491,268	15,493,614
	<b>6,034,346</b>	<b>9,706,155</b>	<b>15,740,501</b>
<b>Total Assets</b>	<b>7,567,862</b>	<b>11,441,354</b>	<b>19,009,216</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	138,893	62,131	201,024
Pension investment earnings	358,196	160,231	518,427
<b>Total Deferred Outflows of Resources</b>	<b>497,089</b>	<b>222,362</b>	<b>719,451</b>

See Notes to Financial Statements.

**City of Diboll, Texas**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	546,956	105,182	652,138
Accrued interest payable	9,226	15,718	24,944
Customer deposits	3,940	89,880	93,820
Current maturities of long-term debt	168,579	548,394	716,973
	<u>728,701</u>	<u>759,174</u>	<u>1,487,875</u>
Noncurrent liabilities:			
Due in more than one year	3,028,414	3,990,904	7,019,318
Net pension liability	1,183,033	529,202	1,712,235
<b>Total Liabilities</b>	<u>4,940,148</u>	<u>5,279,280</u>	<u>10,219,428</u>
<b><u>Deferred Inflows of Resources</u></b>			
Difference in expected and actual experience	1,450	649	2,099
<b>Total Deferred Inflows of Resources</b>	<u>1,450</u>	<u>649</u>	<u>2,099</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	3,578,468	5,166,857	8,745,325
Restricted for:			
Debt service	163,229	-	163,229
Special revenue	259,772	-	259,772
Unrestricted	(878,116)	1,216,930	338,814
<b>Total Net Position</b>	<u>\$ 3,123,353</u>	<u>\$ 6,383,787</u>	<u>\$ 9,507,140</u>

See Notes to Financial Statements.

# City of Diboll, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 498,382	\$ 313,615	\$ 176,320
Municipal court	84,448	622,552	-
Public safety	1,739,186	-	-
Public works	1,644,423	-	-
Cultural and recreation	531,840	31,080	220,217
Tourism	3,988	-	-
Interest and fiscal charges	84,738	-	-
<b>Total Governmental Activities</b>	4,587,005	967,247	396,537
<b>Business-Type Activities</b>			
Water & Sewer	2,126,794	2,288,254	-
Golf Course	838,654	293,944	101,500
<b>Total Business-Type Activities</b>	2,965,448	2,582,198	101,500
<b>Total Primary Government</b>	\$ 7,552,453	\$ 3,549,445	\$ 498,037

**General Revenues:**

- Taxes
  - Property tax
  - Sales tax
  - Franchise and local taxes
  - Other taxes
- Investment income
- Other revenues

**Transfers:**

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.



**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (8,447)	\$ -	\$ (8,447)
538,104	-	538,104
(1,739,186)	-	(1,739,186)
(1,644,423)	-	(1,644,423)
(280,543)	-	(280,543)
(3,988)	-	(3,988)
(84,738)	-	(84,738)
<u>(3,223,221)</u>	<u>-</u>	<u>(3,223,221)</u>
-	161,460	161,460
-	(443,210)	(443,210)
-	(281,750)	(281,750)
<u>(3,223,221)</u>	<u>(281,750)</u>	<u>(3,504,971)</u>
1,154,114	-	1,154,114
564,443	-	564,443
468,526	-	468,526
66,059	-	66,059
2,328	-	2,328
17,997	661	18,658
(118,767)	118,767	-
<u>2,154,700</u>	<u>119,428</u>	<u>2,274,128</u>
(1,068,521)	(162,322)	(1,230,843)
4,191,874	6,546,109	10,737,983
<u>\$ 3,123,353</u>	<u>\$ 6,383,787</u>	<u>\$ 9,507,140</u>

# City of Diboll, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2016

	General Fund	Garbage Fund	Debt Service Fund	Nonmajor Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 446,393	\$ -	\$ 163,229	\$ 294,425
Receivables, net	257,140	78,343	15,149	-
Land held for sale	170,220	-	-	-
Due from agency fund	8,042	-	-	-
Due from other funds	135,717	-	-	9,220
<b>Total Assets</b>	<b>\$ 1,017,512</b>	<b>\$ 78,343</b>	<b>\$ 178,378</b>	<b>\$ 303,645</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 352,142	\$ 65,597	\$ -	\$ 16,072
Accrued liabilities	113,145	-	-	-
Due to other funds	18,075	12,746	-	27,801
Customer deposits	3,940	-	-	-
<b>Total Liabilities</b>	<b>487,302</b>	<b>78,343</b>	<b>-</b>	<b>43,873</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - court fines	69,682	-	-	-
Unavailable revenue - property taxes	72,118	-	15,149	-
<b>Total Deferred Inflows</b>	<b>141,800</b>	<b>-</b>	<b>15,149</b>	<b>-</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Debt service	-	-	163,229	-
Special revenue	-	-	-	259,772
Unassigned	388,410	-	-	-
<b>Total Fund Balances</b>	<b>388,410</b>	<b>-</b>	<b>163,229</b>	<b>259,772</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,017,512</b>	<b>\$ 78,343</b>	<b>\$ 178,378</b>	<b>\$ 303,645</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 904,047  
350,632  
170,220  
8,042  
144,937  

---

\$ 1,577,878  

---

---

\$ 433,811  
113,145  
58,622  
3,940  

---

609,518  

---

69,682  
87,267  

---

156,949  

---

163,229  
259,772  
388,410  

---

811,411  

---

\$ 1,577,878  

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# City of Diboll, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2016

<b>Fund Balances - Total Governmental Funds</b>	\$ 811,411
<b>Adjustments for the Statement of Net Position:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	32,000
Capital assets - net depreciable	6,002,346
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Court fines receivable	69,682
Property tax receivable	87,267
Deferred outflows (inflows) of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expenditure) until then.	
Pension contributions	138,893
Pension investment earnings	358,196
Pension losses	(1,450)
Internal service funds are used by management to charge the cost of equipment services and replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position - governmental activities	14,260
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(9,226)
Premiums on bonds payable	(28,488)
Net pension liability	(1,183,033)
Non-current liabilities due in one year	(168,579)
Non-current liabilities due in more than one year	(2,999,926)
<b>Net Position of Governmental Activities</b>	<b>\$ 3,123,353</b>

See Notes to Financial Statements.

# City of Diboll, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	General Fund	Garbage Fund	Debt Service Fund	Nonmajor Governmental Funds
<b>Revenues</b>				
Property tax	\$ 1,014,180	\$ -	\$ 159,077	\$ -
Sales tax	564,443	-	-	-
Franchise and local taxes	463,339	-	-	5,187
Other taxes	66,059	-	-	-
License and permits	6,975	-	-	-
Charges for services	659,343	889,443	-	98,451
Contributions and grants	176,320	-	-	220,217
Investment income	2,110	-	139	79
Other revenues	17,997	-	-	-
<b>Total Revenues</b>	2,970,766	889,443	159,216	323,934
<b>Expenditures</b>				
Current:				
General government	484,142	-	-	-
Municipal court	82,407	-	-	-
Public safety	1,496,592	-	-	51,669
Public works	409,912	804,404	-	267,365
Cultural and recreation	391,365	-	-	143,995
Tourism	-	-	-	1,538
Debt service:				
Principal	61,713	-	75,000	-
Interest and fiscal charges	11,731	-	74,550	-
Paid to state	31,200	-	-	-
Capital outlay	30,813	-	-	-
<b>Total Expenditures</b>	2,999,875	804,404	149,550	464,567
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	(29,109)	85,039	9,666	(140,633)
<b>Other Financing Sources (Uses)</b>				
Transfers in	214,912	-	-	18,020
Transfers (out)	(236,160)	(85,039)	-	(30,500)
<b>Total Other Financing Sources (Uses)</b>	(21,248)	(85,039)	-	(12,480)
<b>Net Change in Fund Balances</b>	(50,357)	-	9,666	(153,113)
Beginning fund balances	438,767	-	153,563	412,885
<b>Ending Fund Balances</b>	\$ 388,410	\$ -	\$ 163,229	\$ 259,772

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

---

\$ 1,173,257  
564,443  
468,526  
66,059  
6,975  
1,647,237  
396,537  
2,328  
17,997  

---

4,343,359

484,142  
82,407  
1,548,261  
1,481,681  
535,360  
1,538

136,713  
86,281  
31,200  
30,813  

---

4,418,396

(75,037)

232,932  

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(351,699)  

---

(118,767)

(193,804)

1,005,215  

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\$ 811,411  

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# City of Diboll, 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, 2016

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

Net changes in fund balances - total governmental funds	\$	(193,804)
---	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		279,951
Depreciation expense		(542,935)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Fines and fees		(686,965)
Property taxes		(19,143)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		167,913
Accrued interest		187
Amortization of bond premium		1,356
Net pension expense		(88,333)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities excluding capital outlay.

13,252

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(1,068,521)</b>
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See Notes to Financial Statements.

**City of Diboll, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2016**

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>
	<b>Water and Sewer Fund</b>	<b>Golf Course Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b><u>Assets</u></b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 78,913	\$ -	\$ 78,913	\$ 1,008
Restricted cash	1,436,238	-	1,436,238	-
Accounts and other receivables, net	314,047	136	314,183	-
Inventory	-	5,432	5,432	-
Due from other funds	12,746	-	12,746	13,252
<b>Total Current Assets</b>	<b>1,841,944</b>	<b>5,568</b>	<b>1,847,512</b>	<b>14,260</b>
<b><u>Noncurrent Assets</u></b>				
Capital assets:				
Non-depreciable	4,772	210,115	214,887	-
Net depreciable capital assets	8,206,138	1,285,130	9,491,268	929,723
<b>Total Noncurrent Assets</b>	<b>8,210,910</b>	<b>1,495,245</b>	<b>9,706,155</b>	<b>929,723</b>
<b>Total Assets</b>	<b>10,052,854</b>	<b>1,500,813</b>	<b>11,553,667</b>	<b>943,983</b>
<b><u>Deferred Outflows of Resources</u></b>				
Pension contributions	39,794	22,337	62,131	-
Pension investment earnings	102,625	57,606	160,231	-
<b>Total Deferred Outflows of Resources</b>	<b>142,419</b>	<b>79,943</b>	<b>222,362</b>	<b>-</b>

See Notes to Financial Statements.

**City of Diboll, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2016**

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Water and Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<b><u>Liabilities</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable and accrued liabilities	86,916	18,266	105,182	-
Customer deposits	89,880	-	89,880	-
Accrued interest	15,718	-	15,718	-
Current maturities of long-term debt	538,133	10,261	548,394	-
Due to other funds	112,216	97	112,313	-
<b>Total Current Liabilities</b>	<b>842,863</b>	<b>28,624</b>	<b>871,487</b>	<b>-</b>
<b><u>Noncurrent Liabilities</u></b>				
Long-term liabilities	3,973,104	17,800	3,990,904	-
Net pension liability	338,945	190,257	529,202	-
<b>Total Liabilities</b>	<b>5,154,912</b>	<b>236,681</b>	<b>5,391,593</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>				
Difference in expected and actual experience	416	233	649	-
<b>Total Deferred Inflows of Resources</b>	<b>416</b>	<b>233</b>	<b>649</b>	<b>-</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	3,699,673	1,467,184	5,166,857	929,723
Unrestricted	1,340,272	(123,342)	1,216,930	14,260
<b>Total Net Position</b>	<b>\$ 5,039,945</b>	<b>\$ 1,343,842</b>	<b>\$ 6,383,787</b>	<b>\$ 943,983</b>

See Notes to Financial Statements.

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# City of Diboll, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Business-Type Activities			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Fund
<b><u>Operating Revenues</u></b>				
Water sales	\$ 1,245,221	\$ -	\$ 1,245,221	\$ -
Sewer revenue	1,007,089	-	1,007,089	-
Penalties and reconnect fees	46,693	-	46,693	-
Membership fees	-	98,159	98,159	-
Green and driving range fees	-	108,828	108,828	-
Rental fees	-	50,247	50,247	-
Other taxes and permits	25,517	-	25,517	-
Other revenue	-	36,710	36,710	-
Bad debt	(36,266)	-	(36,266)	-
<b>Total Operating Revenues</b>	<b>2,288,254</b>	<b>293,944</b>	<b>2,582,198</b>	<b>-</b>
<b><u>Operating Expenses</u></b>				
Personnel	589,612	336,103	925,715	-
Materials and supplies	135,933	80,979	216,912	-
Utilities	154,102	77,075	231,177	-
Contractual	250,126	72,898	323,024	-
Maintenance	182,383	49,466	231,849	-
Sundry charges	45,607	-	45,607	-
Depreciation	607,026	222,133	829,159	92,811
<b>Total Operating Expenses</b>	<b>1,964,789</b>	<b>838,654</b>	<b>2,803,443</b>	<b>92,811</b>
<b>Operating Income (Loss)</b>	<b>323,465</b>	<b>(544,710)</b>	<b>(221,245)</b>	<b>(92,811)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Donations and contributions	-	101,500	101,500	-
Investment income	661	-	661	-
Interest expense	(162,005)	-	(162,005)	-
Gain on sale of capital assets	-	-	-	13,253
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(161,344)</b>	<b>101,500</b>	<b>(59,844)</b>	<b>13,253</b>
<b>Income Before Transfers</b>	<b>162,121</b>	<b>(443,210)</b>	<b>(281,089)</b>	<b>(79,558)</b>
Transfers in	-	218,140	218,140	-
Transfers (out)	(99,373)	-	(99,373)	-
<b>Change in Net Position</b>	<b>62,748</b>	<b>(225,070)</b>	<b>(162,322)</b>	<b>(79,558)</b>
Beginning net position	4,977,197	1,568,912	6,546,109	1,023,541
<b>Ending Net Position</b>	<b>\$ 5,039,945</b>	<b>\$ 1,343,842</b>	<b>\$ 6,383,787</b>	<b>\$ 943,983</b>

See Notes to Financial Statements.

**City of Diboll, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2016**

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Water and Sewer Fund</u>	<u>Golf Course Fund</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers	\$ 2,336,923	\$ 298,206	\$ 2,635,129	\$ (12,552)
Payments to employees	(600,540)	(300,278)	(900,818)	-
Payments to suppliers and contractors	(892,411)	(276,714)	(1,169,125)	-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>843,972</b>	<b>(278,786)</b>	<b>565,186</b>	<b>(12,552)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Transfer in	-	218,140	218,140	-
Transfer (out)	(99,373)	-	(99,373)	-
Operating grants	-	101,500	101,500	-
<b>Net Cash (Provided by) Noncapital Financing Activities</b>	<b>(99,373)</b>	<b>319,640</b>	<b>220,267</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Activities</u></b>				
Purchases of capital assets	(236,716)	(68,915)	(305,631)	-
Proceeds from capital debt	109,922	31,413	141,335	-
Principal paid on capital debt	(543,142)	(3,352)	(546,494)	-
Interest paid on capital debt	(173,044)	-	(173,044)	-
Proceeds from the sale of capital assets	39,692	-	39,692	13,253
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<b>(803,288)</b>	<b>(40,854)</b>	<b>(844,142)</b>	<b>13,253</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Interest on investments	661	-	661	-
<b>Net Cash Provided by Investing Activities</b>	<b>661</b>	<b>-</b>	<b>661</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(58,028)</b>	<b>-</b>	<b>(58,028)</b>	<b>701</b>
Beginning cash and cash equivalents	1,573,179	-	1,573,179	307
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,515,151</b>	<b>\$ -</b>	<b>\$ 1,515,151</b>	<b>\$ 1,008</b>

See Notes to Financial Statements.

**City of Diboll, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2016**

	Business-Type Activities			Governmental
	Water and Sewer Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Fund
<b>Reconciliation of Operating</b>				
<b>Income (Loss) to Net Cash Provided by</b>				
<b>(Used for) Operating Activities</b>				
Operating Income (Loss)	\$ 323,465	\$ (544,710)	\$ (221,245)	\$ (92,811)
Adjustments to reconcile operating income (loss) to net cash provided by (used):				
Depreciation	607,026	222,133	829,159	92,811
<b>Changes in Operating Assets and Liabilities:</b>				
<b>(Increase) Decrease in:</b>				
Accounts receivable	44,749	4,262	49,011	-
Inventory	-	5,354	5,354	-
Pension contributions	3,001	(6,954)	(3,953)	-
Investment experience	(83,588)	(50,763)	(134,351)	-
Actual experience vs. assumption	711	339	1,050	-
<b>Increase (Decrease) in:</b>				
Accounts payable and accrued liabilities	(197,218)	(10,745)	(207,963)	-
Customer deposits	3,920	-	3,920	-
Due from other funds	72,958	9,095	82,053	(12,552)
Net pension liability	68,948	93,203	162,151	-
<b>Net Cash Provided by</b>				
<b>(Used for) Operating Activities</b>	<u>\$ 843,972</u>	<u>\$ (278,786)</u>	<u>\$ 565,186</u>	<u>\$ (12,552)</u>

See Notes to Financial Statements.

**City of Diboll, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2016**

		<b>Endowment Trust Fund</b>
<u>Assets</u>		
Cash and cash equivalents	\$	8,042
Investments		578,577
<b>Total Assets</b>		<b>586,619</b>
<u>Liabilities</u>		
Due to general fund		8,042
<b>Total Liabilities</b>		<b>8,042</b>
<u>Net Position</u>		
Net position held in trust for the operations of the civic center, park and cemeteries		578,577
<b>Total Net Position</b>	\$	<b>578,577</b>

See Notes to Financial Statements.



**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Diboll, Texas (the "City") was incorporated in 1962. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. The City provides a full range of municipal services including public safety, streets, parks and recreation, community development, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as an enterprise function of the City.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**B. Basis of Presentation - Government-Wide and Fund Financial Statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other

**City of Diboll, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2016

charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government reports the following major governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, etc.

**Garbage Fund**

The garbage fund is used to account for funds received and expended for garbage services for the City and its residents.

**Debt Service Fund**

The debt service fund is considered a nonmajor fund; however, management has elected to present it as a major fund. The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

The City reports the following major enterprise funds:

**Water and Sewer Fund**

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

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**Golf Course Fund**

The golf course fund is used to account for revenues received and expenses for maintenance, repairs, upkeep and associated personnel costs of the City's golf course.

Additionally the government reports the following fund types:

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the special revenue fund, hotel/motel tax, municipal court security fund and technology fund, drug seizure fund, CDBG grant fund, the PEG fund, and the recreation sports fund.

**Internal Service Fund**

Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's internal service funds include the equipment replacement fund.

**Fiduciary Fund**

The fiduciary fund accounts for donations made and held in trust by the City until the funds are expended per donor's intent.

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

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

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the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of*

**City of Diboll, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2016

*accounting.* Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**D. Assets, Liabilities, and Fund Equity or Net Position**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**2. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (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" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**City of Diboll, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
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Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

**3. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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.

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	5 years
Furniture and equipment	5 - 10 years
Infrastructure	50 years
Water and sewer system	5 - 40 years
Buildings and improvements	25 years

**6. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

**7. Net Position Flow Assumption**

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

**City of Diboll, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
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government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**8. Fund Balance Flow Assumptions**

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

**9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through the following spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body to which the Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making



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authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**10. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

# City of Diboll, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

### 11. Estimates

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

### 12. Pensions

For purposes of measuring the net pension liability (asset), 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.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. 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 net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**City of Diboll, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2016

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

**A. Expenditures Over Appropriations**

For the year ended, expenditures exceeded appropriations at the legal level of control and as follows:

General Fund:

General government	\$25,870
Public safety	\$33,300
Culture and recreation	\$50,880
Capital outlay	\$30,813
Transfers out	\$46,786

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**V. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As stated in I.D.1. the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool and LOGIC are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. The City had the following deposits considered to be cash and cash equivalents.

As of September 30, 2016, the primary government had the following deposits:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Bank deposits	\$ 1,608,509		
External investment pools			
TexPool	611,134	45	AAAm
LOGIC	200,563	56	AAAm
Total fair value	<u>\$ 2,420,206</u>		

The City's fiduciary fund complies with the City's investment policy. As of September 30, 2016, the fiduciary fund had the following deposits and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Cash deposits	8,042	
Certificates of deposit	\$ 578,577	1.82
Total fair value	<u>\$ 586,619</u>	

*Interest rate risk* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk* – The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality

# City of Diboll, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2016, the City's investment in TexPool was rated AAAM by Standard & Poor's.

*Custodial credit risk – deposits* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2016, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

### TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

### LOGIC

The Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. LOGIC was created by contract among its participating governmental units and is

# City of Diboll, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

LOGIC operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses the amortized cost valuation technique, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value. Accordingly, the fair value of the position in LOGIC are the same as the value of LOGIC shares.

### B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Garbage</u>	<u>Debt Service</u>	<u>Water &amp; Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Taxes						
Property taxes	\$ 72,118	\$ -	\$ 15,149	\$ -	\$ -	\$ 87,267
Sales taxes	87,529	-	-	-	-	87,529
Franchise taxes	26,721	-	-	-	-	26,721
Court fines	3,889,645	-	-	-	-	3,889,645
Other	1,090	78,343	-	465,445	136	545,014
Less allowance for uncollectibles	(3,819,963)	-	-	(151,398)	-	(3,971,361)
<b>Total</b>	<u>\$ 257,140</u>	<u>\$ 78,343</u>	<u>\$ 15,149</u>	<u>\$ 314,047</u>	<u>\$ 136</u>	<u>\$ 664,815</u>

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 14,950	\$ -	\$ -	\$ 14,950
Construction in progress	-	17,050	-	17,050
Total capital assets not being depreciated	<u>14,950</u>	<u>17,050</u>	<u>-</u>	<u>32,000</u>
Capital assets, being depreciated:				
Buildings and improvements	3,381,506	146,774	-	3,528,280
Furniture and equipment	4,995,799	116,127	(230,842)	4,881,084
Infrastructure	3,326,190	-	-	3,326,190
Total capital assets being depreciated	<u>11,703,495</u>	<u>262,901</u>	<u>(230,842)</u>	<u>11,735,554</u>
Less accumulated depreciation				
Buildings and improvements	(2,132,203)	(78,033)	-	(2,210,236)
Furniture and equipment	(3,075,055)	(298,592)	230,842	(3,142,805)
Infrastructure	(213,857)	(166,310)	-	(380,167)
Total accumulated depreciation	<u>(5,421,115)</u>	<u>(542,935)</u>	<u>230,842</u>	<u>(5,733,208)</u>
Net capital assets being depreciated	<u>6,282,380</u>	<u>(280,034)</u>	<u>-</u>	<u>6,002,346</u>
<b>Total Capital Assets</b>	<u>\$ 6,297,330</u>	<u>\$ (262,984)</u>	<u>\$ -</u>	<u>\$ 6,034,346</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 36,929
Public safety	154,666
Public works	195,616
Culture and recreation	155,724
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 542,935</u>

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 214,887	\$ -	\$ -	\$ 214,887
Total capital assets not being depreciated	<u>214,887</u>	<u>-</u>	<u>-</u>	<u>214,887</u>
Capital assets, being depreciated:				
Buildings and improvements	3,321,280	50,149	-	3,371,429
Furniture and equipment	484,037	42,302	(144,569)	381,770
Utility systems and structures	16,613,492	173,489	(199,888)	16,587,093
Total capital assets being depreciated	<u>20,418,809</u>	<u>265,940</u>	<u>(344,457)</u>	<u>20,340,292</u>
Less accumulated depreciation				
Buildings and improvements	(1,673,930)	(243,791)	-	(1,917,721)
Furniture and equipment	(334,360)	(21,335)	144,569	(211,126)
Utility systems and structures	(8,356,032)	(564,033)	199,888	(8,720,177)
Total accumulated depreciation	<u>(10,364,322)</u>	<u>(829,159)</u>	<u>344,457</u>	<u>(10,849,024)</u>
Net capital assets being depreciated	<u>10,054,487</u>	<u>(563,219)</u>	<u>-</u>	<u>9,491,268</u>
<b>Total Capital Assets</b>	<u>\$ 10,269,374</u>	<u>\$ (563,219)</u>	<u>\$ -</u>	<u>\$ 9,706,155</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 607,026
Golf course	222,133
<b>Total Business-Type Activities Depreciation Expense</b>	<u>\$ 829,159</u>



**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Combination Tax and Revenue Certificates of Obligation Premium	\$ 2,315,000 29,844	\$ - -	\$ (75,000) (1,356)	\$ 2,240,000 28,488	\$ 75,000 -
<b>Total Bonds Payable</b>	<u>2,344,844</u>	<u>-</u>	<u>(76,356)</u>	<u>2,268,488</u>	<u>75,000</u>
Due to State	647,400	-	(31,200)	616,200	31,200
Capital Lease	374,018	-	(61,713)	312,305	62,379
<b>Total Governmental Activities</b>	<u>\$ 3,366,262</u>	<u>\$ -</u>	<u>\$ (169,269)</u>	<u>\$ 3,196,993</u>	<u>\$ 168,579</u>
<b>Long-term Liabilities Due in More than One Year</b>				<u>\$ 3,028,414</u>	
<b>Business-Type Activities:</b>					
General Obligation Refunding Bonds Tax and Utility System Revenue Certificates of Obligation Premium	\$ 1,530,000 3,165,000 66,223	\$ - -	\$ (365,000) (80,000) (9,393)	\$ 1,165,000 3,085,000 56,830	\$ 375,000 80,000 -
<b>Total Bonds Payable</b>	<u>4,761,223</u>	<u>-</u>	<u>(454,393)</u>	<u>4,306,830</u>	<u>455,000</u>
Notes payable	-	141,335	(8,466)	132,869	31,108
Capital lease	192,627	-	(93,028)	99,599	93,133
<b>Total Business-Type Activities</b>	<u>\$ 4,953,850</u>	<u>\$ 141,335</u>	<u>\$ (555,887)</u>	<u>\$ 4,539,298</u>	<u>\$ 579,241</u>
<b>Long-term Liabilities Due in More than One Year</b>				<u>\$ 3,960,057</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

Long-term debt at year end was comprised of the following debt issues:

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>
<b>General Obligation bonds:</b>		
\$3,215,000 General Obligation Refunding Bonds, Series 2010, due in installments through 2019, interest at 2% to 3%	\$ -	\$ 1,165,000
<b>Total General Obligation bonds</b>	<b>\$ -</b>	<b>\$ 1,165,000</b>
<b>Combination Tax and Revenue Certificates of Obligation:</b>		
\$3,400,000 Tax and Utility System Revenue Certificates of Obligation, Series 2010, due in annual installments through 2025, interest at 2% to 4%	\$ -	\$ 3,085,000
\$2,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2012, due in annual installments through 2025, interest at 2% to 4%	\$ 2,240,000	\$ -
<b>Total Combination Tax and Revenue/Certificates of Obligation</b>	<b>\$ 2,240,000</b>	<b>\$ 3,085,000</b>
<b>Due to State:</b>		
\$781,121 sales and use taxes repayment due in installments through 2036, no interest.	\$ 616,200	\$ -
<b>Total Due to State</b>	<b>\$ 616,200</b>	<b>\$ -</b>
<b>Notes Payable:</b>		
\$109,922 note payable for water and sewer equipment, due in installments of \$1,975 plus interest at 3% through 2021.	\$ -	\$ 104,809
\$31,413 note payable for golf course mower, due in installments of \$914 plus interest at 3% through 2019.	-	28,060
<b>Total Notes Payable</b>	<b>\$ -</b>	<b>\$ 132,869</b>
<b>Capital Leases Payable:</b>		
\$309,963 Capital lease payable for a fire truck, due in installments through 2024, interest at 3.64%	\$ 256,640	\$ -
\$71,736 Capital lease payable for vehicles and equipment, due in installments through 2018, interest at 4.95%	14,068	8,248
\$607,309 Capital lease payable for meter readers, due in installments through 2017, interest at 5.59%	-	91,351
\$62,622 Capital lease payable to John Deere, due in annual installments of \$ 1,298 through 2014, interest at 5.9%	41,597	-
<b>Total Capital Leases Payable</b>	<b>\$ 312,305</b>	<b>\$ 99,599</b>

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

The annual requirements to amortize long-term debt outstanding at year ending were as follows:

Tax and Revenue Certificates of Obligations

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 75,000	\$ 73,050	\$ 80,000	\$ 113,119
2018	80,000	71,500	85,000	110,644
2019	80,000	69,900	90,000	108,019
2020	80,000	68,100	475,000	98,950
2021	85,000	65,825	475,000	83,216
2022	85,000	63,275	470,000	65,800
2023	90,000	60,650	470,000	47,000
2024	95,000	57,875	470,000	28,200
2025	95,000	55,025	470,000	9,400
2026	100,000	52,100	-	-
2027	100,000	49,100	-	-
2028	105,000	46,025	-	-
2029	110,000	42,525	-	-
2030	115,000	38,588	-	-
2031	120,000	34,475	-	-
2032	125,000	30,188	-	-
2033	130,000	25,400	-	-
2034	135,000	20,100	-	-
2035	140,000	14,600	-	-
2036	145,000	8,900	-	-
2037	150,000	3,000	-	-
<b>Total</b>	<u><u>\$ 2,240,000</u></u>	<u><u>\$ 950,200</u></u>	<u><u>\$ 3,085,000</u></u>	<u><u>\$ 664,347</u></u>

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

General Obligation Refunding Bonds

	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 375,000	\$ 33,275	\$ 408,275
2018	390,000	20,825	410,825
2019	400,000	7,000	407,000
<b>Total</b>	<b>\$ 1,165,000</b>	<b>\$ 61,100</b>	<b>\$ 1,226,100</b>

Notes Payable

	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 31,108	\$ 3,560	\$ 34,668
2018	32,054	2,614	34,668
2019	29,357	1,655	31,012
2020	22,800	900	23,700
2021	17,550	221	17,771
<b>Total</b>	<b>\$ 132,869</b>	<b>\$ 8,950</b>	<b>\$ 141,819</b>

Capital Leases Payable

<b>Year ending September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 62,379	\$ 10,267	\$ 72,646
2018	49,153	8,048	57,201
2019	31,857	6,753	38,610
2020	31,394	5,632	37,026
2021	32,556	4,470	37,026
2022	33,761	3,265	37,026
2023	35,010	2,016	37,026
2024	36,195	720	36,915
<b>Total</b>	<b>\$ 312,305</b>	<b>\$ 41,171</b>	<b>\$ 353,476</b>

<b>Year ending September 30,</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 93,133	\$ 5,428	\$ 98,561
2018	6,466	105	6,571
<b>Total</b>	<b>\$ 99,599</b>	<b>\$ 5,533</b>	<b>\$ 105,132</b>

Sales Tax Overpayment Due to State

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

Year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 31,200	\$ -	\$ 31,200
2018	31,200	-	31,200
2019	31,200	-	31,200
2020	31,200	-	31,200
2021	31,200	-	31,200
2022-2026	156,000	-	156,000
2027-2031	156,000	-	156,000
2032-2036	148,200	-	148,200
	<u>\$ 616,200</u>	<u>\$ -</u>	<u>\$ -</u>

**E. Interfund Receivables and Payables**

The composition of interfund balances as of September 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 112,216
	Golf Fund	97
	Nonmajor Funds	23,404
Nonmajor Funds	General	4,823
Nonmajor Funds	Nonmajor Funds	4,397
Water & Sewer Fund	Garbage Fund	12,746
Internal Service Fund	General Fund	13,252
		<u>\$ 170,935</u>

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**F. Interfund Transactions**

Transfers between the primary government funds during the year were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 99,373
General Fund	Golf Course Fund	218,140
	Nonmajor Funds	18,020
Garbage	General Fund	85,039
Nonmajor Funds	General Fund	30,500
		<u>\$ 451,072</u>

**G. Fund Equity**

The City records restricted net position / fund balance to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position / fund balance of the City:

	<u>Governmental Activities</u>
Restricted for:	
Debt service	\$ 163,229
Special revenue	119,220
Tourism	64,178
Public education	34,187
Restricted by enabling legislation:	42,187
<b>Total restricted</b>	<u>\$ 423,001</u>

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

# City of Diboll, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

### **B. Contingent Liabilities**

Amounts received or receivable from granting 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 amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

GASB 62 defines probability of loss contingencies as the following:

*Probable.* The future event or events are likely to occur.

*Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.

*Remote.* The chance of the future event or events occurring is slight.

Liabilities are recorded 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. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

### **C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

### **D. Pension Plans**

#### Texas Municipal Retirement System

##### **1. Plan Description**

The City of Diboll, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal

# City of Diboll, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2016

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.

### 2. 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.

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

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	10
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI



**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**Employees covered by benefit terms**

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>46</u>
<b>Total</b>	<b><u>110</u></b>

**3. Contributions**

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

Employees for the City of Diboll, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Diboll, Texas were 13.13% and 13.62% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$276,869, and were equal to the required contributions.

**4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5-10.5% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2013, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
<b>Total</b>	<b>100.0%</b>	

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**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.

**Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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</b>	<b>Current Single Rate</b>	<b>1% Increase</b>
<b>5.75%</b>	<b>Assumption 6.75%</b>	<b>7.75%</b>
\$ 3,267,450	\$ 1,712,235	\$ 451,460

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 12/31/14</b>	\$ 9,497,497	\$ 8,352,339	\$ 1,145,158
Changes for the year:			
Service cost	302,087	-	302,087
Interest	662,246	-	662,246
Difference between expected and actual experience	2,197	-	2,197
Changes of assumptions	(6,195)	-	(6,195)
Contributions – employer	-	256,814	(256,814)
Contributions – employee	-	131,998	(131,998)
Net investment income	-	12,324	(12,324)
Benefit payments, including refunds of emp. contributions	(375,771)	(375,771)	-
Administrative expense	-	(7,507)	7,507
Other changes	-	(371)	371
Net changes	584,564	17,487	567,077
<b>Balance at 12/31/15</b>	<b>\$ 10,082,061</b>	<b>\$ 8,369,826</b>	<b>\$ 1,712,235</b>

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

**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).

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

For the year ended September 30, 2016, the City recognized pension expense of \$389,556.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows (Inflows) of Resources</b>
Difference between projected and investment earnings	\$ 518,427
Differences between expected and actual economic experience	(2,099)
Contributions subsequent to the measurement date	201,024
<b>Total</b>	<b>\$ 717,352</b>

The City reported \$201,024 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2016	\$ 134,007
2017	133,912
2018	133,942
2019	114,467
2020	-
Thereafter	-
	<b>\$ 516,328</b>

**6. Supplemental Death Benefits Plan**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate

**City of Diboll, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2016**

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 postemployment benefit," or OPEB.

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

The City's retiree contribution rates to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$611, \$556 and \$574, respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.03%	0.03%	100.0%
2014	0.03%	0.03%	100.0%
2015	0.03%	0.03%	100.0%

**E. Restatement**

The City has restated beginning net position within business-type activities to account for revenue that was earned, but not billed to customers at year end. The restatement of beginning net position is as follows:

	Business-type Activities	Water and Sewer Fund
Prior year ending net position as reported	\$ 6,407,502	\$ 4,838,590
Change in reporting of unbilled revenue	138,607	138,607
Restated beginning net position	<u>\$ 6,546,109</u>	<u>\$ 4,977,197</u>

**City of Diboll, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2016

**F. New Accounting Pronouncements**

The GASB has issued Statement No. 72, entitled Fair Value Measurement and Application; Statement No. 73, entitled, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68; GASB Statement No. 74 entitled, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75, entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 76; entitled, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government; and GASB Statement No. 77; entitled, Tax Abatement Disclosures, which will require adoption in the future, if applicable. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

**G. Subsequent Events**

There were no material subsequent events through December 30, 2016, the date the financial statements were issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

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# City of Diboll, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 988,000	\$ 988,000	\$ 1,014,180	\$ 26,180
Sales tax	620,000	620,000	564,443	(55,557)
Franchise and local taxes	536,000	536,000	463,339	(72,661)
Other taxes	65,030	65,030	66,059	1,029
License and permits	6,500	6,500	6,975	475
Charges for services	672,500	687,500	659,343	(28,157)
Intergovernmental	-	-	176,320	176,320
Investment income	600	600	2,110	1,510
Other revenues	-	-	17,997	17,997
<b>Total Revenues</b>	2,888,630	2,903,630	2,970,766	67,136
<b>Expenditures</b>				
Current:				
General government	458,272	458,272	484,142	(25,870) *
Municipal court	88,125	88,125	82,407	5,718
Public safety	1,461,292	1,463,292	1,496,592	(33,300) *
Public works	438,660	438,660	409,912	28,748
Cultural and recreation	233,995	340,485	391,365	(50,880) *
Debt service:				
Principal	61,713	61,713	61,713	-
Interest	11,731	11,731	11,731	-
Sales tax liability	31,200	31,200	31,200	-
Capital outlay	-	-	30,813	(30,813) *
<b>Total Expenditures</b>	2,784,988	2,893,478	2,999,875	(106,397)
<b>Excess of Revenues Over (Under) Expenditures</b>	103,642	10,152	(29,109)	(39,261)
<b>Other Financing Sources (Uses)</b>				
Transfers in	95,000	134,250	214,912	80,662
Transfers (out)	(173,624)	(189,374)	(236,160)	(46,786) *
<b>Total Other Financing Sources (Uses)</b>	(78,624)	(55,124)	(21,248)	33,876
	\$ 25,018	\$ (44,972)	(50,357)	\$ (5,385)
Beginning fund balance			438,767	
<b>Ending Fund Balance</b>			\$ 388,410	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \*2. Expenditures exceeded appropriations at legal level of control.

# City of Diboll, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GARBAGE FUND

For the Year Ended September 30, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Charges for services	\$ 785,000	\$ 889,443	\$ 104,443
<b>Total Revenues</b>	785,000	889,443	104,443
<b><u>Expenditures</u></b>			
Public works	745,750	804,404	(58,654)
<b>Total Expenditures</b>	745,750	804,404	(58,654)
<b>Excess of Revenues Over (Under) Expenditures</b>	39,250	85,039	45,789
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	(39,250)	(85,039)	(45,789)
<b>Total Other Financing Sources (Uses)</b>	(39,250)	(85,039)	(45,789)
<b>Net Change in Fund Balance</b>	\$ -	-	\$ -
Beginning fund balance		-	
<b>Ending Fund Balance</b>		\$ -	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Diboll, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

### DEBT SERVICE FUND

For the Year Ended September 30, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Property tax	\$ 149,900	\$ 159,077	\$ 9,177
Investment income	-	139	139
<b>Total Revenues</b>	149,900	159,216	9,316
<b><u>Expenditures</u></b>			
Debt service:			
Principal	75,000	75,000	-
Interest	74,900	74,550	350
<b>Total Expenditures</b>	149,900	149,550	350
<b>Net Change in Fund Balance</b>	\$ -	9,666	\$ 9,666
Beginning fund balance		153,563	
<b>Ending Fund Balance</b>		\$ 163,229	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# City of Diboll, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS <sup>1</sup>

September 30, 2016

	12/31/2015	12/31/2014
Total pension liability		
Service cost	\$ 302,087	\$ 286,303
Interest	662,246	623,624
Changes in benefit terms	-	-
Differences between expected and actual experience	2,197	1,701
Changes of assumptions	(6,195)	-
Benefit payments, including refunds of participant contributions	(375,771)	(359,791)
<b>Net change in total pension liability</b>	<b>584,564</b>	<b>551,837</b>
<b>Total pension liability - beginning</b>	<b>9,497,497</b>	<b>8,945,660</b>
<b>Total pension liability - ending (a)</b>	<b>10,082,061</b>	<b>9,497,497</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 256,814	\$ 248,204
Contributions - members	131,998	132,351
Net investment income	12,324	451,065
Benefit payments, including refunds of participant contributions	(375,771)	(359,791)
Administrative expenses	(7,507)	(4,710)
Other	(371)	(387)
<b>Net change in plan fiduciary net position</b>	<b>17,487</b>	<b>466,732</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,352,339</b>	<b>7,885,607</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 8,369,826</b>	<b>\$ 8,352,339</b>
<b>Fund's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 1,712,235</b>	<b>\$ 1,145,158</b>
<b>Plan fiduciary net position as a percentage of the total pension</b>	83.02%	87.94%
<b>Covered employee payroll</b>	\$ 1,885,684	\$ 1,890,734
<b>Fund's net position as a percentage of covered employee payroll</b>	90.80%	60.57%

**Notes to schedule:**

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

# City of Diboll, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN <sup>1</sup>

For the Year Ended September 30, 2016

	9/30/2016	9/30/2015
Actuarially determined employer contributions	\$ 276,368	\$ 249,847
Contributions in relation to the actuarially determined contribution	\$ 276,368	\$ 249,847
Contribution deficiency (excess)	\$ -	\$ -
Annual covered employee payroll	\$ 1,885,877	\$ 1,853,131
Employer contributions as a percentage of covered employee payroll	14.65%	13.48%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% 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.

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# ***NONMAJOR GOVERNMENTAL FUNDS***

## ***SPECIAL REVENUE FUND***

This fund accounts for funds received from grants for specific purposes and is restricted to be spent

## ***HOTEL/MOTEL OCCUPANCY TAX FUND***

This fund accounts for funds derived from hotel/motel occupancy taxes and is legally restricted to promote tourism within the City.

## ***MUNICIPAL COURT SECURITY FUND***

This fund accounts for court fees that are legally restricted for court security expenses.

## ***MUNICIPAL COURT TECHNOLOGY FUND***

This fund accounts for court fees that are legally restricted for court technology expenses.

## ***DRUG SEIZURE FUND***

This fund is used to track drug seizures and related activity necessary for drug seizure operations.

## ***CDBG GRANT FUND***

This fund accounts for any community development block grants obtained and are legally restricted to be used toward community development.

## ***PEG FUND***

This fund accounts for the restricted use of public access television.

## ***RECREATION SPORTS PROGRAMS FUND***

This fund accounts for sports activities managed by the City.

**City of Diboll, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

	Special Revenue Fund	Hotel and Motel Tax Fund	Municipal Court Security Fund	Municipal Court Technology Fund
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 142,624	\$ 64,478	\$ 34,242	\$ -
Due from other funds	-	-	2,067	7,153
<b>Total Assets</b>	<b>\$ 142,624</b>	<b>\$ 64,478</b>	<b>\$ 36,309</b>	<b>\$ 7,153</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 300	\$ -	\$ 687
Due to other funds	23,404	-	4,397	-
<b>Total Liabilities</b>	<b>23,404</b>	<b>300</b>	<b>4,397</b>	<b>687</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Tourism	-	64,178	-	-
Municipal court security	-	-	31,912	-
Municipal court technology	-	-	-	6,466
Police equipment	-	-	-	-
Public education	-	-	-	-
Special revenue	119,220	-	-	-
<b>Total Fund Balances</b>	<b>119,220</b>	<b>64,178</b>	<b>31,912</b>	<b>6,466</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 142,624</b>	<b>\$ 64,478</b>	<b>\$ 36,309</b>	<b>\$ 7,153</b>



<b>Drug Seizure Fund</b>	<b>PEG Fund</b>	<b>Recreation Sports Programs Fund</b>	<b>Total Nonmajor Governmental</b>
\$ 18,894	\$ 34,187	\$ -	\$ 294,425
-	-	-	9,220
<u>\$ 18,894</u>	<u>\$ 34,187</u>	<u>\$ -</u>	<u>\$ 303,645</u>
\$ 15,085	\$ -	\$ -	\$ 16,072
-	-	-	27,801
<u>15,085</u>	<u>-</u>	<u>-</u>	<u>43,873</u>
-	-	-	64,178
-	-	-	31,912
-	-	-	6,466
3,809	-	-	3,809
-	34,187	-	34,187
-	-	-	119,220
<u>3,809</u>	<u>34,187</u>	<u>-</u>	<u>259,772</u>
<u>\$ 18,894</u>	<u>\$ 34,187</u>	<u>\$ -</u>	<u>\$ 303,645</u>

# City of Diboll, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2016

	Special Revenue Fund	Hotel and Motel Tax Fund	Municipal Court Security Fund	Municipal Court Technology Fund
<b><u>Revenues</u></b>				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Charges for service	-	13,862	10,235	13,664
Contributions and grants	153,787	-	-	-
Interest income	-	49	19	-
<b>Total Revenues</b>	153,787	13,911	10,254	13,664
<b><u>Expenditures</u></b>				
Public safety	-	-	36,839	10,131
Public works	267,365	-	-	-
Culture and recreation	-	-	-	-
Tourism	-	1,538	-	-
<b>Total Expenditures</b>	267,365	1,538	36,839	10,131
<b>Revenues Over (Under) Expenditures</b>	(113,578)	12,373	(26,585)	3,533
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	-	-
Transfers (out)	-	(30,500)	-	-
<b>Total Other Financing (Uses)</b>	-	(30,500)	-	-
<b>Net Change in Fund Balances</b>	(113,578)	(18,127)	(26,585)	3,533
Beginning fund balances	232,798	82,305	58,497	2,933
<b>Ending Fund Balances</b>	\$ 119,220	\$ 64,178	\$ 31,912	\$ 6,466

<b>Drug Seizure Fund</b>	<b>PEG Fund</b>	<b>Recreation Sports Programs Fund</b>	<b>Total Nonmajor Governmental</b>
\$ -	\$ 5,187	\$ -	\$ 5,187
1,145	-	59,545	98,451
-	-	66,430	220,217
11	-	-	79
<u>1,156</u>	<u>5,187</u>	<u>125,975</u>	<u>323,934</u>
4,699	-	-	51,669
-	-	-	267,365
-	-	143,995	143,995
-	-	-	1,538
<u>4,699</u>	<u>-</u>	<u>143,995</u>	<u>464,567</u>
<u>(3,543)</u>	<u>5,187</u>	<u>(18,020)</u>	<u>(140,633)</u>
-	-	18,020	18,020
-	-	-	(30,500)
<u>-</u>	<u>-</u>	<u>18,020</u>	<u>(12,480)</u>
(3,543)	5,187	-	(153,113)
7,352	29,000	-	412,885
<u>\$ 3,809</u>	<u>\$ 34,187</u>	<u>\$ -</u>	<u>\$ 259,772</u>

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