

CITY OF ROBSTOWN UTILITY SYSTEMS

**Annual Financial Report
For the Year Ended December 31, 2018**

**ERNEST R. GARZA & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

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City of Robstown Utility Systems
Annual Financial Report
for the Year Ended December 31, 2018

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit</u> |
|--|-------------|----------------|
| FINANCIAL SECTION | | |
| Independent Auditor’s Report on Financial Statements..... | 5 | |
| Management’s Discussion and Analysis..... | 7 | |
| <u>Basic Financial Statements</u> | | |
| Statement of Net Position – All Business Type Activities..... | 18 | A-1 |
| Statement of Revenues, Expenses, and Changes in Net Position- All Business Type Activities | 20 | A-2 |
| Statement of Cash Flows- All Business Type Activities | 21 | A-3 |
| All Agency Funds..... | 22 | A-4 |
| Notes to the Financial Statements | 24 | |
| <u>Required Supplemental Information:</u> | | |
| Schedule of Changes in Net Pension Liability and Related Ratios..... | 50 | |
| Schedule of Contributions | 51 | |
| Notes to Schedule of Contributions..... | 52 | |
| Schedule of Changes in Total OPEB Liability and Related Ratios..... | 53 | |
| Notes to Schedule of OPEB Contributions | 54 | |
| <u>Combining and Individual Fund Statements:</u> | | |
| Enterprise Funds: | | |
| Combining Statement of Net Position..... | 58 | B-1 |
| Combining Statement of Revenues, Expenses In Net Position..... | 60 | B-2 |
| Combining Statement of Cash Flows..... | 62 | B-3 |
| Sewage Fund: | | |
| Comparative Statement of Net Position | 64 | B-4 |
| Comparative Statements of Revenues, Expenses and Changes in Net Position | 66 | B-5 |
| Statement of Revenues, Expenses and Changes in Net Position – Budget (GAAP Basis) and Actual..... | 68 | B-6 |
| Electric Fund: | | |
| Comparative Statement of Net Position | 70 | B-7 |
| Comparative Statements of Revenues, Expenses and Changes in Net Position | 72 | B-8 |
| Statement of Revenues Expenses and Changes in Net Position – Budget (GAAP Basis) and Actual..... | 74 | B-9 |

City of Robstown Utility Systems
Annual Financial Report
for the Year Ended December 31, 2018

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit</u> |
|---|-------------|----------------|
| Gas Fund: | | |
| Comparative Statement of Net Position..... | 76 | B-10 |
| Comparative Statements of Revenues, Expenses and Changes in Net Position | 78 | B-11 |
| Statement of Revenues Expenses and Changes in Net Position – Budget (GAAP Basis) and Actual..... | 80 | B-12 |
| Internal Service Funds: | | |
| General Operating: | | |
| Comparative Statement of Net Position..... | 84 | C-1 |
| Comparative Statements of Revenues, Expenses and Changes in Net Position | 86 | C-2 |
| Statement of Revenues Expenses and Changes in Net Position – Budget (GAAP Basis) and Actual..... | 88 | C-3 |
| Trust and Agency Funds: | | |
| Agency Funds: | | |
| Combining Statement of Changes in Assets and Liabilities | 92 | D-1 |
| OTHER SUPPLEMENTAL INFORMATION | | |
| Gas System – Metered Customers and Natural Gas Sold | 94 | Table F-1 |
| Electric Light and Power Company – Metered Customers and Kilowatt-hours Sold | 95 | Table F-2 |
| Sewer System – Bond Indebtedness and Bond Interest Requirements – Series 2011 | 96 | Table F-3 |
| Sewer System – Bond Indebtedness and Bond Interest Requirements – Series 2014..... | 97 | Table F-4 |
| Insurance in Force – All Funds | 98 | Table F-5 |
| Statistical Information – List of Ten Largest Users of Utilities | 100 | Table F-6 |

FINANCIAL SECTION



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Independent Auditors Report on Financial Statements

Board of Trustees
City of Robstown Utility Systems
101 East Main
Robstown, Texas 78380-0071

Members of the Board of Trustees:

We have audited the accompanying financial statements of the business type activities of the City of Robstown Utility System, as of and for the years ended December 31, 2018, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Robstown Utility Systems' as of December 31, 2018 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

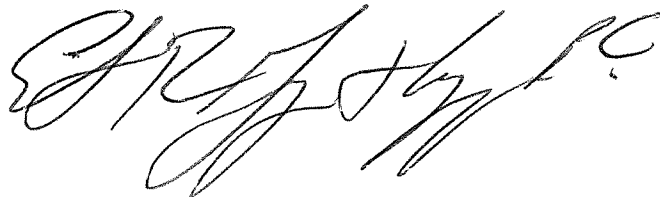
Other-Matters (include Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 16 and pages 68-69, 74-75, 80-81, and 88-89 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 on the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Robstown Utility Systems' basic financial statements. The combining individual fund financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. These accompanying combining and individual fund financial statements and supporting schedules, listed in the table of contents, are presented for our purposes of additional auditing procedures but are not required as a part of the financial statements. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Ernest R. Garza & Company P.C.
Corpus Christi, Texas
May 29, 2019



**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

This section of the Robstown Utility Systems' (Utility Systems) annual financial report presents Management's Discussion and Analysis (MD&A) of the Utility Systems' financial performance during the fiscal year ended December 31, 2018. The MD&A should be read in conjunction with the transmittal letter found in the Introductory Section of this report and the Utility Systems' Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Utility Systems exceeded their liabilities for total net position of \$11,708,814. (Exhibit A-1).
- The net position of the Utility Systems increased from \$10,291,692 to \$11,708,814. (Exhibit A-2). The net position increase represents a 13.94% increase over the prior year's results. The net position represents 109.17% of the \$10,725,194 (Exhibit A-2) in expenses. The Utility Systems' unrestricted net position (Exhibit B-1) were \$6,311,283 or 58.85% of expenses (Exhibit B-2).
- Total assets were \$18,886,819 and deferred charges were \$229,551 (Exhibit B-1); total liabilities for the Utility Systems were \$6,398,712 and deferred credits/inflows were \$1,008,844 after the System made an equity transfer to net out inter-fund credits and charges.
- The ratio of total current assets to total current liabilities for the Utility Systems was 2.95 times excluding deferred charges and credits. (Exhibit B-1)
- The Utility Systems' quick ratio (current assets to current liabilities) (Exhibit A-1) was 5.84 times.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Utility Systems' basic financial statements are comprised of three parts:

- 1) Management's discussion and analysis,
- 2) The basic financial statements, and
- 3) An optional section that presents detailed summaries and schedules of selected financial data.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utility Systems' financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, bond resolutions, and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short – and long- term financial information about the Utility Systems' financial activities, all of which are operated like commercial enterprises. These statements report information about the Utility Systems using full accrual accounting methods and the overall economic resource focus as utilized by similar business activities in the private sector. Information concerning all of the Utility Systems' assets and liabilities, both financial and capital, and short and long term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The basic financial statements of the Utility Systems include a balance sheet, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements, which are described as follows.

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

- The balance sheet (statement of net position) presents the financial position of the Utility Systems on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.
- The statement of revenues, expenses, and changes in net position presents the result of the business activities over the course of the fiscal year and information as to how the net assets (position) changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Utility Systems' recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided by generally accepted accounting standards. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital, and related financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Utility Systems' significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The supplementary information presented by the Utility Systems includes comparisons of budget to actual revenue and expenses, schedules that focus on the individual divisions of the Utility Systems where more detailed financial data is desirable and schedules presenting the Utility Systems' future debt service requirements and other data required to be presented in accordance with certain of the Utility Systems' debt covenants.

ENTITY-WIDE FINANCIAL ANALYSIS

The Utility Systems' entity-wide financial statements report its net position and how they have changed over the reporting period. Net position - the difference between assets and liabilities- may serve as a useful indicator of the Utility Systems' financial position. Over time, increases or decreases in the Utility Systems' net position are a useful indicator of whether its financial health is improving or deteriorating respectively. However, one also needs to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation, to adequately assess its overall health.

The material portion of the Utility Systems' net position (49.01% - Exhibit A-1) reflects its investment in utility plant assets (e.g., land, buildings, utility plant, and equipment), less that portion of related debt used to acquire those assets that is still outstanding. These utility plant assets are used to provide utility services to our customers; consequently, these assets are not available for future spending.

Although the Utility Systems' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (the sale of utility services), since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Table A-1: Condensed Statement of Net Position (Balance Sheets)

| | <u>2018</u> | <u>2017</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---|----------------------|----------------------|--------------------------|---------------------------|
| Assets | | | | |
| Current and Other Assets | \$ 8,615,840 | \$ 6,974,854 | \$ 1,640,986 | 23.53% |
| Restricted Assets | 705,044 | 912,304 | (207,260) | -22.72% |
| Capital Assets: | | | | |
| Productive Asset in Service (net) | 10,220,530 | 10,387,732 | (167,202) | -1.61% |
| Other Assets | - | - | - | 0.00% |
| Total Assets | <u>19,541,414</u> | <u>18,274,890</u> | <u>1,266,524</u> | <u>6.93%</u> |
| Deferred Outflows of Resources | | | | |
| Deferred Charges | 17,404 | - | 17,404 | 0.00% |
| Deferred Resources Outflows | 326,308 | 882,661 | (556,353) | 0.00% |
| Deferred Resources Outflows -OPEB | 15,490 | - | 15,490 | 0.00% |
| Total Deferred Outflows of Resources | <u>359,202</u> | <u>882,661</u> | <u>(523,459)</u> | <u>-59.30%</u> |
| Liabilities | | | | |
| Current Liabilities | 1,200,133 | 1,176,228 | 23,905 | 2.03% |
| Restricted Liabilities | 97,495 | 97,199 | 296 | 0.30% |
| Long-term Debt Outstanding | 5,025,254 | 6,632,154 | (1,606,900) | -24.23% |
| Other Liabilities | 621,178 | 614,232 | 6,946 | 1.13% |
| Total Liabilities | <u>6,944,060</u> | <u>8,519,813</u> | <u>(1,575,753)</u> | <u>-18.50%</u> |
| Deferred Inflows of Resources | | | | |
| Deferred Credits | 617,935 | 329,677 | 288,258 | 0.00% |
| Deferred Resources Inflows - Pension | 629,807 | 16,369 | 613,438 | 0.00% |
| Total Deferred Inflows of Resources | <u>1,247,742</u> | <u>346,046</u> | <u>901,696</u> | <u>260.57%</u> |
| Net Position | | | | |
| Invested in capital assets | 5,844,442 | 5,083,428 | 761,014 | 14.97% |
| Restricted | 104,331 | 193,905 | (89,574) | -46.19% |
| Unrestricted | 5,760,041 | 5,014,359 | 745,682 | 14.87% |
| Total Net Position | <u>\$ 11,708,814</u> | <u>\$ 10,291,692</u> | <u>\$ 1,417,122</u> | <u>13.77%</u> |

The Utilities Systems' net position increased by \$1,417,122 from \$10,291,692 to \$11,708,814 (Exhibit A-1, A-2). Looking more carefully at the data, changes resulted from normal operations and increases in rates. A net decrease from fixed asset additions was also noted. The overall net increase reflects the Utility System' current policy of investing surplus internal resources, capital contributions, and earning and profits in productive capital assets in lieu of issuing additional debt during the year. During the fiscal year the Utility also made equity transfers between the inter-fund receivables and payables for deferred charges that were not practical to expect a realization of a return from those funds due to the substantial increase in revenues that would have to be burdened by the customers of the City of Robstown Utility System. The Utility also transferred \$1,937,560 to the City of Robstown's General Fund along with providing utility services of \$215,924 to the City of Robstown. (Exhibit A-2, B-2)

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Table A-2: Condensed Statements of Revenues, Expenses and Changes in Net Position

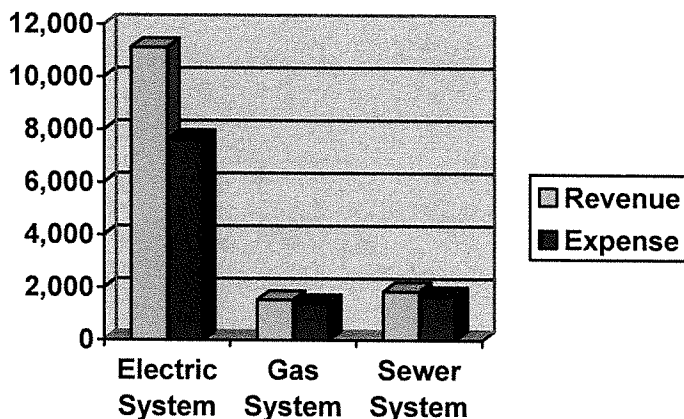
| | <u>2018</u> | <u>2017</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|--|---------------------|---------------------|--------------------------|---------------------------|
| Revenues: | | | | |
| Charges for Services: | | | | |
| Electric System | \$ 11,127,453 | \$ 11,500,755 | \$ (373,302) | -3.25% |
| Gas System | 1,535,151 | 1,435,614 | 99,537 | 6.93% |
| Wastewater System | <u>1,862,545</u> | <u>1,874,819</u> | <u>(12,274)</u> | <u>-0.65%</u> |
| Total Charges for Services | 14,525,149 | 14,811,188 | (286,039) | -1.93% |
| Interest Earnings | 9,315 | 6,056 | 3,259 | 53.81% |
| Other | - | - | - | 0.00% |
| Total Revenues | <u>14,534,464</u> | <u>14,817,244</u> | <u>(282,780)</u> | <u>-1.91%</u> |
| Expenses: | | | | |
| Division Operating Expenses: | | | | |
| Electric System | 7,646,406 | 8,336,501 | (690,095) | -8.28% |
| Gas System | 1,394,166 | 1,331,514 | 62,652 | 4.71% |
| Wastewater System | <u>1,684,622</u> | <u>1,736,763</u> | <u>(52,141)</u> | <u>-3.00%</u> |
| Total Division Operating Expenses | <u>10,725,194</u> | <u>11,404,778</u> | <u>(679,584)</u> | <u>-5.96%</u> |
| Interest and Debt Expense | 109,254 | 113,742 | (4,488) | -3.95% |
| Other Expenses - Note 1 Below | - | - | - | 0.00% |
| Free Utility Service to City | <u>215,924</u> | <u>206,739</u> | <u>9,185</u> | <u>4.44%</u> |
| Total Expenses | <u>11,050,372</u> | <u>11,725,259</u> | <u>(674,887)</u> | <u>-5.76%</u> |
| Income (loss) Before Transfers and Prior Period Adjustments | 3,484,092 | 3,091,985 | 392,107 | 12.68% |
| Prior Period Adjustments | (129,410) | - | (129,410) | 0.00% |
| Transfer to City | <u>(1,937,560)</u> | <u>(1,922,038)</u> | <u>(15,522)</u> | <u>0.81%</u> |
| Increase (decrease) in Net Position | <u>\$ 1,417,122</u> | <u>\$ 1,169,947</u> | <u>\$ 247,175</u> | <u>21.13%</u> |

While the balance sheet shows a snapshot of the Utility Systems' financial position at the beginning and ending of the fiscal years, the above statement of revenues, expenses, and changes in net position provides answers as to the nature and source of these changes. In the table above, income before transfers of \$3,484,092, a prior period adjustment of \$129,410 and transfers of \$1,937,560 resulted in an increase in 2018 of \$1,417,122, which differs from the 2017 where an increase of \$1,169,947 resulted. A comparison of the operating expenses shows the Utility Systems' operating expenses decreased by \$679,584 or 5.96% in 2018 over 2017, compared to a decrease by \$615,666 or 5.12% in 2017 over 2016. Also, the Utility Systems' revenue decreased in 2018 by \$282,780 or 1.91% compared to 2017 which showed an increase of \$461,488 or 3.21% over 2016. The fuel charge decrease resulted in the overall power costs due to the fuel and purchased power cost adjustment clause resulting in a decrease in fuel cost (fuel adjustment) and the Utility maintaining its overall positive operations including a transfer to the city resulted in an overall increase in the net position for 2018 of \$1,417,122 compared to 2017 which showed an increase of \$1,169,947 from 2016. The Utility Systems continues to monitor its operation costs and this resulted in a positive net income for 2018 before cash transfers to the City.

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

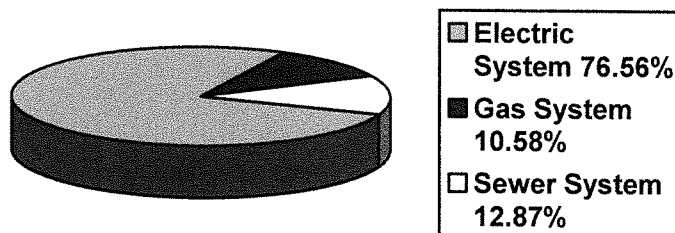
The following is a summary of the operating revenue and expense for each of the Utility Systems' operating divisions:

**Graph 1: Program Revenues to Activity Expenditures
(in thousands of dollars)**



The following is a summary of the composition of 2018 Utility Systems' revenues by source:

**Chart A-1: Revenues- By Source
Year Ended December 31, 2018**



During 2018, the overall demand for electricity and wastewater treatment services decreased from the prior year but gas service demand increased from 3,011 in 2017 to 3,025 in 2018. Total electric kwh sales decreased 2,130,930 or 2.19% in 2018 (94,984,517 kwh) from 2017 (97,115,447 kwh) sold. The number of electric customers decreased slightly to 4,506 from 4,509.

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

The wastewater and gas system had different results for 2018. The actual number of customers increased in the all divisions. The gas system increased by 24.75% to 108,686 Mcf compared to 95,200 Mcf in 2017. The wastewater system experienced a decrease of 7.11% to 406,841 MG in the volume of wastewater treated in 2018 compared to 419,750 MG treated in 2017.

The actual number of residential and commercial Utility Systems' customers were stable in the wastewater, gas and electric for all the divisions for 2018.

| Utility Operating Division | 2018 Customers | 2017 Customers |
|----------------------------|-------------------|-------------------|
| Electric System | 4,509 | 4,506 |
| Gas System | 3,025 | 3,011 |
| Wastewater System | 4,007 | 4,007 |

Budgetary Highlights

An annual revenue and expense budget is prepared for the combined electric, gas, and wastewater utility systems, and is approved by the Utility Systems Board. The budget remains in effect the entire year and can only be amended with the approval of the Utility Systems Board. Supplemental amendments were made in 2018.

Table A-3: Schedule of Revenue, Receipts, Expenses and Disbursements-Budget-vs.-Actual

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|---------------------|--|
| Revenue and Receipts: | | | |
| Electric System | 10,980,574 | 11,127,453 | 146,879 |
| Gas System | 1,489,334 | 1,535,151 | 45,817 |
| Wastewater System | 1,763,061 | 1,862,545 | 99,484 |
| | <u>14,232,969</u> | <u>14,525,149</u> | <u>292,180</u> |
| Operating Expenses: | | | |
| Purchased Power and Fuel | 5,676,747 | 5,685,428 | (8,681) |
| Operating & Maintenance | 2,882,433 | 3,672,897 | (790,464) |
| General Administration | 2,190,327 | 1,366,869 | 823,458 |
| Total Expenses | <u>10,749,507</u> | <u>10,725,194</u> | <u>24,313</u> |
| Non Operating Profit (Loss) | <u>3,483,462</u> | <u>3,799,955</u> | <u>316,493</u> |
| Non Operating Revenues (Expenses) | | | |
| Interest and Other Income, (Expense) | (15,840) | 9,315 | 25,155 |
| Free Utility Service to City | (309,747) | (215,924) | 93,823 |
| Debt Service-Interest | (303,150) | (109,254) | 193,896 |
| Transfers In | - | - | - |
| Transfers Out to City | (1,937,560) | (1,937,560) | - |
| Total Non-Operating Revenues (Expenses) | <u>(2,566,297)</u> | <u>(2,253,423)</u> | <u>312,874</u> |
| Net Income | <u>\$ 917,165</u> | <u>\$ 1,546,532</u> | <u>\$ 629,367</u> |

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

The electric system revenues increased during the year along with the increase of the kwh usage. The gas system experienced a significant decrease in consumption resulting from a warmer winter temperatures. The natural gas cost increased by \$103,142 (Exhibit B-11) and this resulted in a pass-through of \$413,313 for actual cost of sales and a favorable budget variance of \$45,817 (in Gas revenues) (Exhibit B-12). Purchased power and fuel costs were decreased and stayed within budget (Exhibit B-9) regarding energy costs in the electric system. General and administrative costs were under budget by \$44,341 (Exhibit C-3) as a result of other various line items.

The Utility Systems' operating budget is prepared on a basis consistent with generally accepted accounting principals (GAAP). Other cash receipts and payments are treated as budgetary items to maintain effective fiscal and budgetary control over the collection and disposition of all Utility Systems' resources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the Utility Systems' net investment in capital assets amounted to \$10,220,530 which is stated net of \$29,338,305 less \$19,117,775 of accumulated depreciation including the general operating department.

This investment in capital assets includes:

- Land and land improvements
- Construction in progress,
- Gas distribution facilities,
- Wastewater collection and treatment facilities
- Machinery and Equipment

During 2018, the total decrease in the Utility Systems' investment in capital assets was \$167,201 compared to \$318,433 in 2017. (Exhibit A-1)

Table A-4: Capital Assets (net of depreciation) at December 31, 2018.

| | <u>2018</u> | <u>2017</u> | <u>Dollar Change</u> |
|-----------------------------|----------------------|----------------------|--------------------------|
| Land and Land Rights | \$ 43,785 | \$ 43,785 | \$ - |
| Construction in Progress | 372,586 | 372,586 | - |
| Plant Project and Equipment | 28,921,934 | 28,286,729 | 635,205 |
| Accumulated Depreciation | (19,117,775) | (18,315,369) | (802,406) |
| Utility Plant, net | <u>\$ 10,220,530</u> | <u>\$ 10,387,731</u> | <u>\$ (167,201)</u> |

Long-term Debt and Debt Administration

Table A-5 indicates that total long-term debt decreased by \$10,396 for 2018 or 0.29% compared to 2017 which decreased by \$318,433 or 6.23%. Total debt outstanding at year end was \$3,602,848.

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

The reductions in revenue bonds occurred through scheduled principal payments.

Table A-5 Long-Term Liabilities-Current Leases at December 31, 2018

| | <u>Total</u> | | <u>Dollar</u> | <u>Percent</u> |
|----------------------|---------------------|---------------------|--------------------|----------------|
| | <u>2018</u> | <u>2017</u> | <u>Change</u> | <u>Change</u> |
| | | | <u>18-17</u> | <u>18-17</u> |
| Revenue Bonds | \$ 2,705,000 | \$ 2,795,000 | \$ (90,000) | -3.22% |
| Capital Leases | - | - | - | 0.00% |
| Notes Payable | 690,244 | 589,960 | 100,284 | 17.00% |
| Compensated Absences | 207,605 | 228,285 | (20,680) | -9.06% |
| Total Debt | <u>\$ 3,602,849</u> | <u>\$ 3,613,245</u> | <u>\$ (10,396)</u> | <u>-0.29%</u> |

The revenue certificate debt coverage ratio is a useful indicator of the Utility Systems' debt coverage ratio and has continued to remain strong over the past two years even in year of debt issuance, as is summarized in the following tabulation:

Table A-6: Debt Coverage Ratio

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Operating Revenues | \$ 14,525,149 | \$ 14,811,189 |
| Interest and Other Income, Expense | 9,315 | 6,056 |
| Revenues per Certificate Resolution | <u>14,534,464</u> | <u>14,817,245</u> |
| Cost of Operation and Maintenance, Net of Depreciation and Required Payments to the City of Robstown | <u>9,646,901</u> | <u>10,252,098</u> |
| Net Revenues per Certificate Resolution | <u>\$ 4,887,563</u> | <u>\$ 4,565,147</u> |
| Annual Debt Service Requirement | <u>\$ 166,298</u> | <u>\$ 173,853</u> |
| Debt Service Coverage Ratio (times) | <u>29.39%</u> | <u>26.26%</u> |

As of December 31, 2018 the Utility Systems had outstanding revenue bonds payable of \$2,705,000. All of these obligations are secured by a first lien on and a pledge of the net revenues of the Sewer Revenues. The debt coverage ratio requirement of 125% coverage was made after adding back the depreciation for 2011 and 2014 Sewer Series.

FOR THE YEAR 2019 ADOPTED OPERATING BUDGET

The adopted budget for fiscal year 2019 sets the Utility Systems' revenues from all sources at \$16,856,651 (which does not include interest income of \$31,500), and is up \$687,627 from the prior year's budget. The current year's actual sales were \$14,525,149 down from the prior year actual sales of \$14,811,189. This was a result of rate increases and overall pass-thru rates and not just consumption. At December 31, 2018, the Utility System Gas Department maintains a deficit net position in the unrestricted net position. This deficit is anticipated to be eliminated with future revenues.

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

In 2018, the Utility Systems' expenditures, including transfers to the City of \$1,937,560 and capital outlay of \$635,370, less depreciation and amortization budget of \$802,407, equal budgeted expenditures of \$10,749,507 for the 2018 budget year. The 2018 Budget operating expenses were comparable to the prior year's budget.

The Utility Systems' is projecting \$821,000 in capital expenditures for 2019 versus \$665,600 in 2018 budget.

Pension Plan

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

Plan Description

The City of Robstown Utility System, Robstown, Texas, participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

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

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

**CITY OF ROBSTOWN UTILITY SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Employees covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

| | 2016 | 2017 |
|--|------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 37 | 38 |
| Inactive employees entitled to but not yet receiving benefits | 42 | 50 |
| Active employees | <u>44</u> | <u>41</u> |
| Total | <u>123</u> | <u>129</u> |

Contributions

The contribution rates for employees in TMRS are 5% of employee gross earnings, and the city matching percentages are 150%, both as adopted by the governing body of the System. 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 Robstown Utility System were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Robstown Utility System were 17.13% and 13.22% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended December 31, 2017, were \$295,225, and were equal to the required contributions.

THE UTILITY SYSTEMS' FINANCIAL MANAGEMENT

This financial report is designed to provide the Robstown Utility Systems Board, citizens, taxpayers, customers, bondholders, creditors, and other governmental sectors with a general overview of the Utility Systems' financial condition and to demonstrate the Utility Systems' accountability for the funds it receives.

If you have any questions about this report or need additional information, contact:

The Robstown Utility Systems
Finance Department
P.O. Box 71
Robstown, Texas 78380
361.387.3554
361.387.9353 (fax)

BASIC FINANCIAL STATEMENTS

CITY OF ROBSTOWN UTILITY SYSTEMS
STATEMENTS OF NET POSITION
ALL BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2018 AND 2017

EXHIBIT A-1
Page 1 of 2

| | <u>December 31,</u> 2018 | <u>December 31,</u> 2017 |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Cash and cash equivalents</i> | \$ 4,856,086 | 3,254,990 |
| <i>Accounts Receivable - Net of Provisions for Doubtful Accounts</i> | 3,185,896 | 3,170,823 |
| <i>Materials & Supplies Inventory</i> | 507,405 | 475,037 |
| <i>Prepaid Expenses</i> | 66,453 | 74,003 |
| <i>Total Current Assets</i> | <u>\$ 8,615,840</u> | <u>6,974,854</u> |
| Restricted Assets: | | |
| <i>Cash and Bonds</i> | \$ 705,044 | 912,304 |
| <i>Total Restricted Assets</i> | <u>\$ 705,044</u> | <u>912,304</u> |
| Fixed Assets: | | |
| <i>Land</i> | \$ 43,785 | 43,785 |
| <i>Construction in Progress</i> | 372,586 | 372,586 |
| <i>Property, Plant and Equipment</i> | 28,921,934 | 28,286,730 |
| <i>Less Accumulated Depreciation</i> | (19,117,775) | (18,315,369) |
| <i>Total Net Fixed Assets</i> | <u>\$ 10,220,530</u> | <u>10,387,732</u> |
| Intangible Assets | | |
| <i>Unamortized Bond Issue Cost</i> | \$ - | - |
| <i>Total Intangible Assets</i> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 19,541,414</u></u> | <u><u>18,274,890</u></u> |
| | | |
| <i>Deferred out flow of resources</i> | | |
| <i>Deferred Fuel Charge</i> | \$ 17,404 | - |
| <i>Deferred Resources Outflows</i> | 326,308 | 882,661 |
| <i>Deferred Resources Outflows-OPEB</i> | 15,490 | - |

The accompanying notes are an integral part of this statement.

| | December 31, 2018 | December 31, 2017 |
|--|----------------------|----------------------|
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Accounts Payable and Other Payables</i> | \$ 5,497 | 12,559 |
| <i>Administration Accounts Payable</i> | 556,091 | 542,455 |
| <i>Accumulated Compensation Absences</i> | 207,605 | 228,285 |
| <i>Accrued Wages</i> | 100,285 | 97,318 |
| <i>Other Liabilities</i> | 19,905 | 4,114 |
| <i>Current Portion of Capital Leases Payable</i> | - | - |
| <i>Current Portion of Notes Payable</i> | 181,097 | 148,380 |
| <i>Internal Balances</i> | 129,654 | 143,118 |
| <i>Total Current Liabilities</i> | \$ 1,200,133 | 1,176,228 |
| Payable from Restricted Assets: | | |
| <i>Accrued Interest Payable</i> | \$ 7,495 | 7,199 |
| <i>Current Portion of Revenue Bonds Payable</i> | 90,000 | 90,000 |
| <i>Total Payable from Restricted Assets</i> | \$ 97,495 | 97,199 |
| Long-Term Liabilities | | |
| <i>Capital Leases Payable - Net of Current Portion</i> | \$ - | - |
| <i>Notes Payable</i> | 509,147 | 441,580 |
| <i>Pension Liability</i> | 1,738,914 | 3,485,574 |
| <i>OPEB Liability</i> | 162,193 | - |
| <i>Revenue Bonds Payable - Net of Current Portion</i> | 2,615,000 | 2,705,000 |
| <i>Total Long-Term Liabilities</i> | \$ 5,025,254 | 6,632,154 |
| Other Liabilities | | |
| <i>Customer Deposits</i> | \$ 621,177 | 614,232 |
| <i>Total Other Liabilities</i> | 621,177 | 614,232 |
| <i>Total Liabilities</i> | \$ 6,944,059 | 8,519,813 |
| <i>Deferred inflow of resources</i> | | |
| <i>Deferred Fuel Credits</i> | \$ 617,935 | 329,677 |
| <i>Deferred Resources Inflows-Pension</i> | \$ 629,807 | 16,369 |
| <i>Deferred Resources Inflows-OPEB</i> | - | - |
| Net Position: | | |
| <i>Invested in Capital Asset</i> | \$ 5,844,442 | 5,083,427 |
| <i>Restricted for Revenue Bond Debt</i> | 104,331 | 193,905 |
| <i>Unrestricted</i> | 5,760,041 | 5,014,359 |
| <i>Total Net Position</i> | \$ 11,708,814 | 10,291,692 |

The accompanying notes are an integral part of this statement.

CITY OF ROBSTOWN UTILITY SYSTEMS
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
ALL BUSINESS TYPE ACTIVITIES
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT A-2

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| <i>Sales and Service</i> | \$ 14,525,149 | 14,811,189 |
| <i>Total Revenue</i> | <u>\$ 14,525,149</u> | <u>14,811,189</u> |
| Operating Expenses: | | |
| <i>Cost of Sales</i> | \$ 5,685,428 | 5,506,679 |
| <i>Cost of Services Provided</i> | 1,366,869 | 1,885,552 |
| <i>Power Plant Operations Expenses</i> | 966 | 705 |
| <i>Distribution Expenses</i> | 1,756,654 | 1,960,485 |
| <i>Substation Expenses</i> | 29,016 | 39,830 |
| <i>Plant and Operating Expenses</i> | 1,091,973 | 1,138,841 |
| <i>General and Administrative Expenses:</i> | | |
| <i>Insurance/Retirement</i> | 41,172 | 40,487 |
| <i>Depreciation/Amortization</i> | 753,115 | 832,200 |
| <i>Bad Debts</i> | - | - |
| <i>Total Operating Expenses</i> | <u>\$ 10,725,194</u> | <u>11,404,779</u> |
| Net Operating (Loss) Profit | <u>\$ 3,799,955</u> | <u>3,406,410</u> |
| Non-Operating Revenues and (Expenses) | | |
| <i>Investment Income</i> | \$ 9,315 | 6,056 |
| <i>Interest (Expense)</i> | (109,254) | (113,742) |
| <i>Loss on Disposal of Asset</i> | - | - |
| <i>Other Income (Expenses)</i> | - | - |
| <i>Free Utility Service to City</i> | (215,924) | (206,739) |
| <i>Total Non-Operating Revenue and (Expenses)</i> | <u>\$ (315,863)</u> | <u>(314,426)</u> |
| <i>Net Income (Loss) for Year</i> | <u>\$ 3,484,092</u> | <u>3,091,984</u> |
| <i>Net Position - Beginning</i> | \$ 10,291,692 | 9,121,745 |
| <i>Prior Period Adjustment/Equity Transfers</i> | (129,410) | - |
| <i>Net Position - Beginning as Restated</i> | <u>\$ 10,162,282</u> | <u>9,121,745</u> |
| <i>Cash Transfers to City</i> | (1,937,560) | (1,922,038) |
| <i>Net Position - Ending</i> | <u>\$ 11,708,814</u> | <u>10,291,692</u> |

The accompanying notes are an integral part of this statement.

CITY OF ROBSTOWN UTILITY SYSTEMS
STATEMENT OF CASH FLOWS
ALL BUSINESS TYPE ACTIVITIES
DECEMBER 31, 2018 AND 2017

Exhibit A-3

| | <u>December 31,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|--|------------------------------------|------------------------------------|
| Cash flow from operating activities: | | |
| <i>Cash received from customers</i> | \$ 16,261,907 | 16,126,405 |
| <i>Cash Receipts (Payments) for Interfund Services Provided and Used</i> | - | - |
| <i>Cash Payments to Employees for Services</i> | (3,000,058) | (3,297,030) |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | (8,298,974) | (9,810,292) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 4,962,874</u> | <u>3,019,082</u> |
| Cash Flows from Non-capital Financing Activities: | | |
| <i>Proceeds (Payments from (for) Borrowings</i> | \$ 695,301 | (615,273) |
| <i>Other Proceeds</i> | (1,335,045) | 551,583 |
| <i>transfers Out to City and Free Service to City</i> | (2,139,489) | (2,116,701) |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>\$ (2,779,233)</u> | <u>(2,180,392)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| <i>Proceeds from Issuance of Long term Debt</i> | \$ (104,105) | (238,380) |
| <i>Principal and Interest Paid</i> | (104,298) | (108,345) |
| <i>Acquisition or Construction of Capital Assets</i> | (635,205) | (547,466) |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>\$ (843,607)</u> | <u>(894,191)</u> |
| Cash Flows from Investing Activities: | | |
| <i>Interest and Dividends on Investments</i> | \$ 53,802 | 21,101 |
| Net Cash Provided (Used) for Investing Activities | <u>\$ 53,802</u> | <u>21,101</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 1,393,836 | (34,399) |
| Cash and Cash Equivalents at Beginning of Year | 4,167,295 | 4,201,694 |
| Cash and Cash Equivalents at End of Year | <u>\$ 5,561,131</u> | <u>4,167,295</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ 3,756,698 | 3,391,365 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| <i>Depreciation</i> | 802,407 | 865,900 |
| <i>Provision for Uncollectible Accounts</i> | - | - |
| Change in Assets and Liabilities | | |
| <i>Decrease (Increase) in Receivables</i> | (15,073) | (572,955) |
| <i>Decrease (Increase) in Inventories</i> | (32,368) | (1,518) |
| <i>Decrease (Increase) in Prepaid Expenses</i> | 7,550 | (28,327) |
| <i>Decrease (Increase) in Deferred Charges</i> | (17,404) | - |
| <i>Increase (Decrease) in Accounts Payable</i> | 13,636 | (129,299) |
| <i>Increase (Decrease) in Sales Tax Payable</i> | (7,061) | (105,030) |
| <i>Increase (Decrease) in Accrued Wages Payable</i> | 2,968 | (14,554) |
| <i>Increase (Decrease) in Accumulated Compensation Absences</i> | (20,681) | (1,927) |
| <i>Increase (Decrease) in Capital Leases</i> | - | - |
| <i>Increase (Decrease) in Notes Payable</i> | 7,389 | (839) |
| <i>Increase (Decrease) in Customer Deposits</i> | 6,945 | 13,255 |
| <i>Increase)Decrease) in Deferred Fuel Charges</i> | 683,742 | (371,213) |
| <i>Increase (Decrease) in Accrued Expense</i> | (225,874) | (25,775) |
| Total Adjustments | <u>\$ 1,206,176</u> | <u>(372,283)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 4,962,874</u> | <u>3,019,082</u> |
| <i>Cash and Cash Equivalents, Unrestricted</i> | \$ 5,150,260 | 3,262,867 |
| <i>Cash and Cash Equivalents, Restricted</i> | 410,870 | 904,427 |
| | <u>\$ 5,561,131</u> | <u>4,167,295</u> |

The accompanying notes are an integral part of this statement.

CITY OF ROBSTOWN UTILITY SYSTEMS
COMBINING BALANCE SHEET
ALL AGENCY FUND
DECEMBER 31, 2018 AND 2017

EXHIBIT A-4

| | <u>December 31,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|---|------------------------------------|------------------------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Cash and cash equivalents</i> | \$ 199 | 200 |
| <i>Account Receivable - Net of Provisions for Doubtful accounts</i> | 403,658 | 323,610 |
| <i>Due From Other Utility funds</i> | <u>130,215</u> | <u>113,221</u> |
| <i>Total Current Assets</i> | <u>\$ 534,073</u> | <u>437,031</u> |
| TOTAL ASSETS | <u>\$ 534,073</u> | <u>437,031</u> |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Sales Tax Payable</i> | \$ 9,428 | 22,448 |
| <i>Due to Other Utility Funds</i> | 449 | - |
| <i>Due to Others</i> | <u>524,196</u> | <u>414,583</u> |
| <i>Total Current Liabilities</i> | <u>\$ 534,073</u> | <u>437,031</u> |
| Total Liabilities | <u>\$ 534,073</u> | <u>437,031</u> |
| Net Position: | <u>\$ -</u> | <u>-</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 534,073</u> | <u>437,031</u> |

NOTES TO FINANCIAL STATEMENTS

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Robstown Utility Systems (the “System) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In December 2010, the GASB issued Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. The adoption of GASB 62 does not have any impact on the System’s financial statements.

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the System’s financial activities for the fiscal years ended December 31, 2018.

1. Reporting Entity

The System was established in 1939 by city ordinance and by the issuance of bonds. The System is owned by the City of Robstown and is managed by a publicly elected Board of Trustees in accordance with the City Charter. The issuance of revenue bonds and adoption of utility rates is subject to approval by the City Council. The governing Board approves the System’s budget. This budget is prepared by the System’s staff using generally accepted accounting principles in projecting anticipated revenue, expenses and capital improvements. The System is responsible for financing its own deficits and operating deficiencies.

The System’s combined financial statements include the accounts of all its operations. The System evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the System’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity,” include whether:

- the organization is legally separate (can sue and be sued in its name)
- the System holds the corporate powers of the organization
- the System appoints a voting majority of the organization’s board
- the System is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/ burden on the System
- there is fiscal dependency by the organization on the System

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Based on these criteria, the System has no component units. However, the System is a component unit of the City of Robstown, Texas, as defined by the GASB Statement. In 2018 and 2017, the System provides monthly transfers as an operational fee to the City which totaled \$1,937,560, and \$1,922,038 and free service of \$215,924 and \$206,739 respectively.

Furthermore, the City does not subsidize any utility function through general tax revenues, nor does it have oversight over the System's budget. The City does, however, have ultimate authority over rate increases and the issuance of bonded indebtedness.

2. Basis of Presentation- Fund Accounting

System accounts are organized on the basis of fund groups, each of which is considered a separate accounting entity. The System has established several fund groups that are organized by sub-funds within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenses. Resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds utilized by the System are listed below:

a. Proprietary fund types include the following:

Enterprise Fund- is used to account for revenues and expenses related to goods or services sold to parties outside the System.

Internal Service Funds- are used to account for revenues and expenses related to services provided to parties inside the System. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. The Fiduciary fund type includes the following:

Agency Funds- the System uses Agency funds to account for resources held for others in a custodial capacity.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is used for the Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

When the Systems incur an expense for which both restricted and non-restricted resources may be used, it is the Systems' policy to use restricted resources first then unrestricted resources.

4. Budget Accounting

A flexible budget is used for the Proprietary Funds for planning, control, and evaluation purposes. However, because the fund revenues and expenses fluctuate with changing service delivery levels, the use of a fixed dollar budget is considered inappropriate. Within this report, budget comparisons for informational purposes are provided in the Supplemental Information section.

5. Accounts Receivable

Current earnings are charged with bad debts for accounts set aside in an allowance for doubtful accounts. Receivables are reflected in the balance sheet net of these accounts. Accounts deemed uncollectible are charged off to this allowance account.

6. Plant and Equipment

Total fixed assets are stated at historical cost less accumulated depreciation. Fixed assets accounted for in proprietary funds are depreciated using the straight-line method based on the useful lives of the assets. There was no interest capitalized in 2018. Donated fixed assets are stated at the fair market value on the date donated. The cost of maintenance, repairs, and replacement of minor items of property is charged to expense. Leases that meet the criteria of a capital lease, as defined by the Statement of Financial Accounting Standards No. 13, are capitalized.

7. Depreciation and Amortization

For financial reporting purposes, substantially all depreciation of fixed assets is computed on the straight-line method based on the estimated remaining useful lives of the properties, which are as follows:

| | <u>Years</u> |
|--------------------------------|--------------|
| Sewage System: | |
| Structures and Improvements | 5-20 |
| Transportation Equipment | 5-10 |
| Pumping Equipment | 1-5 |
| Main Line | 10-25 |
| Lift Station | 5-30 |
| Other Machinery and Equipment | 2-10 |
| Office Equipment and Furniture | 5 |
| Tools and Testing Equipment | 3-5 |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

| | <u>Years</u> |
|---------------------------------------|--------------|
| Electric System: | |
| Structures and Improvements | 5-30 |
| Transportation Equipment | 5-10 |
| Office Equipment and Furniture | 2-5 |
| Other Machinery and Equipment | 1-5 |
| Engines, Generators, and Exciters | 3-10 |
| Cooling Water Systems | 5 |
| Distribution Improvements | 5-30 |
| Transportation Equipment | 5-10 |
| Underground Lines | 1-5 |
| Poles, Towers, and Fixtures | 5 |
| Overhead Lines | 5-10 |
| Line Transformers | 5-30 |
| Service, Regulators, and Meters | 3-10 |
| Street Light and Signal Systems | 5 |
| Security Systems | 1-5 |
| Substation | 5-30 |
| Office Lease Improvements | 5 |
| Tools/Testing and Accessory Equipment | 1-5 |
| Gas System: | |
| Office Lease Improvements | 1-5 |
| Transportation Equipment | 5 |
| Service, Regulators, and Meters | 5-10 |
| Main Line | 5-10 |
| Office Equipment and Furniture | 5 |
| Tools and Testing Equipment | 3-5 |
| Structures and Improvements | 5 |
| Heavy Equipment | 5-15 |
| Administration: | |
| Structures and Improvements | 5-10 |
| Transportation Equipment | 5 |
| Mechanic Shop Equipment | 5 |
| Office Equipment and Furniture | 1-10 |
| Office Lease Improvements | 5 |
| Communication Equipment | 5 |

8. Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Management also considers all investment pools to be cash equivalents due to their highly liquid nature.

9. Inventories

Inventories on the balance sheet are stated at the lower of cost or market. Inventory items are recorded as expenditures when they are consumed.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

10. Restricted Assets

Certain proceeds set aside for the retirement of revenue bonds, as well as certain investments which adhere to Utility customers as a result of customer utility meter deposits and the related receivables are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and state law.

11. Accumulated Unpaid Compensated Absences

Accumulated unpaid compensated absences for vacation and sick leave are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred.

12. Long-Term Debt

Long-term liabilities of proprietary funds consist of bonds, notes, and other long-term liabilities directly related to and expected to be paid entirely by the proprietary funds. These liabilities are included in the financial statements of such funds.

13. Inter-fund Transactions and Transfers

Transactions between funds that would be treated as revenues or expenses if they involved organizations external to the System are accounted for as revenues or expenses in the funds involved. Reimbursements from one fund to another for expenses already made are recorded as expenses in the reimbursing fund and a reduction of the expenses of the reimbursed fund. Non-recurring or non-routine transfers of equity are treated as residual equity transfers. Residual equity transfers to proprietary funds are treated as contributed capital, and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as appropriate in the circumstances. All other transfers are treated as operating transfers and are included in the results of operations.

14. Rates, Revenues, and Fuel Expense

Revenues are recognized based on monthly billings to customers. The rate schedules are approved by the Utility System Board of Trustees. The electric rate schedule contains an energy cost adjustment clause which reflects the cost of purchased power. The gas rate is composed of natural gas purchased as well and is passed thru to the customers. Generally, the effect of the increase/decrease in the cost of energy is recovered over a twelve month period and is determined as the difference between actual applicable fuel costs and the costs of actually billed during the same period.

15. Use of Estimates and Assumptions

In preparing financial statements that conform with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

B. Deposits and Investments

The System’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the System’s agent bank approved pledged securities in an amount sufficient to protect the System’s funds on a day-to-day basis during the period of that contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

1. Cash Deposits:

At December 31, 2018 and 2017, the carrying amount of the Systems’ deposits (cash, certificates of deposit, and interest-bearing savings accounts including the temporary investments) was \$5,561,130, and \$4,167,295, respectively, and the bank balance and temporary investment balance was \$4,045,414 and \$4,058,123 respectively. The System’s cash deposits at December 31, 2018 and 2017, and during the years ended December 31, 2018 and 2017, were not entirely covered by FDIC insurance or by pledged collateral held by the System’s agent bank in the System’s name during the fiscal year.

2. Investments:

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies the System adhered to the requirements of the Act. Additionally, investment practices of the System were in accordance with local policies. The Act determines the types of investments which are allowable for the System. These include, with certain restrictions, (1) obligations of the U.S Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The Systems’ investments are short-term and highly liquid, and therefore are included in cash and cash equivalents. The balances consist of the following at years ended December 31, 2018 and 2017:

December 31, 2018:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Rating</u> | <u>Carrying Value</u> | <u>Market Value</u> |
|------------------------|-----------------|---------------|-----------------------|---------------------|
| Texpool | N/A | AAAm (S&P) | \$ 927,270 | \$ 927,270 |
| Total Investments | | | <u>\$ 927,270</u> | <u>\$ 927,270</u> |

December 31, 2017:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Rating</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
|------------------------|-----------------|---------------|-----------------------|-------------------|
| Texpool | N/A | AAAm (S&P) | \$ 910,568 | \$ 910,566 |
| Total Investments | | | <u>\$ 910,568</u> | <u>\$ 910,566</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Funds were also transferred to certificate of deposits which are included in the overall cash and cash equivalents from the Texpool Account.

Investment Accounting Policy

The Systems' general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non participating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions, of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The System's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

3. Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the System was exposed to the following specific investment risks at year end and if so the reporting of the certain related disclosures:

1. Credit Risks

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At the end of the period, the system was not significantly exposed to credit risk.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

State law and the System adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD), to those banks doing business in the State of Texas and further requires full insurance and/or collateralized from these depositories (banks and credit unions). Collateral, with a 102% margin, is required and collateral is limited to obligations of the US Government, its agencies or instrumentalities and municipal obligations rated no less than A or equivalent by two nationally recognized rating agencies (NRSRO). Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the bank.

By policy and state law GICs and repurchase agreements are limited to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity.

By policy and state law commercial paper must be rated A1/P1 or equivalent by two NRSROs. Bankers acceptances must have an issuer with a A1/P1 rating and be eligible for collateral at the Federal Reserve. Brokered certificate of deposit securities must be fully FDIC insured.

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one NRSRO.

Concentration of Credit Risk

The System recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The System's adopted Investment Policy establishes diversification as a major objective of the investment program.

As of December 31, 2018, the System was well within the diversification objectives of the policy.

A segmented time distribution Report is provided below.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the System adopted Investment Policy sets a maximum stated maturity date of three years. The Policy establishes a maximum weighted average maturity (WAM) of one year for the total portfolio.

A segmented time distribution analysis of the portfolio by market sector.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the System's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the System and held in the System's name.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Depository agreements are executed under the terms of FIRREA1. The counter-party of each type transaction is held contractually responsible for monitoring and maintaining the required collateral margins on a daily basis.

Repurchase agreements, GICs, and deposits must be collateralized to 102% and be executed under written agreements with independent safekeeping.

As of December 31, 2018:

- all time and demand depository accounts were fully insured or collateralized to policy requirements,
- the portfolio contained no repurchase agreements, and
- all pledged bank collateral for demand deposits was held by an independent institution outside the bank’s holding company.

GASB Statement 72 regarding *Fair Value, Measurement and Application* for financial reporting purposes categorizes financial instruments within three different levels of risk dependent upon the measure of their fair value and pricing.

Because the investments are restricted by Policy and state law to active secondary market, the *market approach* is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The *exit* or fair market prices used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

For GASB Statement 72, as of December 31, 2018, the System had the following investments and the securities to be priced in the portfolio were:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|---------|
| U.S. Treasury Securities | \$0 | 0 | 0 | \$0 |
| U.S. Gov’t Agencies | 6,812 | 0 | 0 | 6,812 |
| Commercial Paper | \$0 | \$0 | 0 | \$0 |
| Total Fair Value | \$6,812 | \$0 | 0 | \$6,812 |

Listing of Structured Notes with Interest Rate Risk – GASB 40 Reporting

Due to the amounts, no security was reflected.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At the end of the period, the System was not exposed to foreign currency risk.

C. Accounts Receivable

Accounts receivable from customers in the normal course of business at December 31, 2018, can be summarized as follows:

| | <u>Internal Service</u> | <u>Gas System</u> | <u>Electric Light & Power</u> | <u>Sewer System</u> | <u>Total Receivables</u> |
|--|-----------------------------|-----------------------|---------------------------------------|-------------------------|------------------------------|
| Accounts Receivable & Unbilled | \$ 2,657 | \$ 459,261 | \$ 2,524,754 | \$ 485,848 | \$ 3,472,520 |
| Less: Allowance for Doubtful Accounts | - | (31,401) | (202,493) | (52,730) | (286,624) |
| Accounts Receivable, net | <u>\$ 2,657</u> | <u>\$ 427,860</u> | <u>\$ 2,322,261</u> | <u>\$ 433,118</u> | <u>\$ 3,185,896</u> |

The Electric Department has a \$330,774 receivable from the City of Robstown which is reflected in the financial statements with the above.

Accounts receivable from customers in the normal course of business at December 31, 2017, can be summarized as follows:

| | <u>Internal Service</u> | <u>Gas System</u> | <u>Electric Light & Power</u> | <u>Sewer System</u> | <u>Total Receivables</u> |
|--|-----------------------------|-----------------------|---------------------------------------|-------------------------|------------------------------|
| Accounts Receivable & Unbilled | \$ 3,600 | \$ 433,844 | \$ 2,523,724 | \$ 455,517 | \$ 3,416,685 |
| Less: Allowance for Doubtful Accounts | - | (30,362) | (164,171) | (51,329) | (245,862) |
| Accounts Receivable, net | <u>\$ 3,600</u> | <u>\$ 403,482</u> | <u>\$ 2,359,553</u> | <u>\$ 404,188</u> | <u>\$ 3,170,823</u> |

Adjustments were taken in the above calculations by separating the deferred charges that were included in the Gas System accounts receivables in the prior year. In addition, adjustments were made to allowance accounts thus netted the true accounts receivables and unbilled are reflected above.

D. Risk Management

The System is exposed to various risks of loss related to torts, theft, damage of assets, errors and omissions, injuries to employees, and natural disasters. The System has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML").

TML is a self-funded pool operating as a common risk management and insurance program. The System pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The System continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

E. Inter-fund Receivables and Payables

Balances due to and from other funds at December 31, 2018, consisted of the following:

| <u>Due to Fund</u> | <u>Due From Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------------|------------------------|---------------------|------------------|
| Agency Funds | Internal Service Fund | \$ 130,215 | Short-term Loans |
| Enterprise Funds | Other Enterprise Funds | - | Long-term Loans |
| | Internal Service Fund | 4,821,844 | Long-term Loans |
| Internal Service Funds | Enterprise Fund | 106,950 | Long-term Loans |
| | Total | <u>\$ 5,059,009</u> | |

All amounts due are scheduled to be repaid within one year, except those noted as (1) long-term. Balances due to and from other funds at December 31, 2017, consisted of the following:

| <u>Due to Fund</u> | <u>Due From Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------------|------------------------|---------------------|------------------|
| Agency Funds | Internal Service Fund | \$ 113,221 | Short-term Loans |
| Enterprise Funds | Other Enterprise Funds | - | Long-term Loans |
| | Internal Service Fund | 3,481,104 | Long-term Loans |
| Internal Service Funds | Enterprise Fund | 204,919 | Long-term Loans |
| | Total | <u>\$ 3,799,244</u> | |

All amounts due are scheduled to be repaid within one year, except those noted as (1) long-term.

F. Fixed Assets

A Summary of fixed assets at December 31, 2018, follows:

| | <u>Sewer</u> | <u>Electric</u> | <u>Gas</u> | <u>General Operating</u> | <u>Total</u> |
|--------------------------------|--------------------|---------------------|--------------------|--------------------------|---------------------|
| Land and Land Rights | 1,414 | 22,371 | - | 20,000 | 43,785 |
| Construction in Progress | 372,586 | - | - | - | 372,586 |
| Plant, Property, and Equipment | 11,121,318 | 13,129,857 | 2,729,925 | 1,940,834 | 28,921,934 |
| Less: Accumulated Depreciation | <u>(5,477,853)</u> | <u>(10,207,986)</u> | <u>(2,022,345)</u> | <u>(1,409,592)</u> | <u>(19,117,776)</u> |
| Totals | <u>6,017,465</u> | <u>2,944,242</u> | <u>707,580</u> | <u>551,242</u> | <u>10,220,529</u> |

Fixed asset activity for the period ended December 31, 2018, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|---------------------------|---------------------|------------------|------------------------|
| <i>Capital Assets not Being Depreciated:</i> | | | | |
| Land | \$ 43,785 | \$ - | \$ - | \$ 43,785 |
| Construction in Progress | 372,586 | - | - | 372,586 |
| Total Capital Assets not Being Depreciated | <u>416,371</u> | <u>-</u> | <u>-</u> | <u>416,371</u> |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Plant, Property, Equipment | 28,286,730 | 635,205 | - | 28,921,935 |
| Total Capital Assets Being Depreciated | <u>28,286,730</u> | <u>635,205</u> | <u>-</u> | <u>28,921,935</u> |
| Less Accumulated Depreciation for: | | | | |
| Plant, Property and Equipment | <u>(18,315,369)</u> | <u>(802,407)</u> | <u>-</u> | <u>(19,117,776)</u> |
| Total Accumulated Depreciation | <u>(18,315,369)</u> | <u>(802,407)</u> | <u>-</u> | <u>(19,117,776)</u> |
| Total Capital Assets Being Depreciated, Net | <u>9,971,361</u> | <u>(167,202)</u> | <u>-</u> | <u>9,804,159</u> |
| Activities of Capital Assets, Net | <u>\$ 10,387,732</u> | <u>\$ (167,202)</u> | <u>\$ -</u> | <u>\$ 10,220,530</u> |

Depreciation expense for 2018 was \$802,407.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

A Summary of fixed assets at December 31, 2017, follows:

| | Sewer | Electric | Gas | General Operating | Total |
|--------------------------------|------------------|------------------|----------------|----------------------|-------------------|
| Land and Land Rights | 1,414 | 22,371 | - | 20,000 | 43,785 |
| Construction in Progress | 372,586 | - | - | - | 372,586 |
| Plant, Property, and Equipment | 10,910,659 | 13,025,662 | 2,673,800 | 1,676,608 | 28,286,729 |
| Less: Accumulated Depreciation | (5,096,735) | (9,908,517) | (1,949,817) | (1,360,300) | (18,315,369) |
| Totals | <u>6,187,924</u> | <u>3,139,516</u> | <u>723,983</u> | <u>336,308</u> | <u>10,387,731</u> |

Fixed asset activity for the period ended December 31, 2017, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------------|-------------|----------------------|
| <i>Capital Assets not Being Depreciated:</i> | | | | |
| Land | \$ 43,785 | \$ - | \$ - | \$ 43,785 |
| Construction in Progress | 372,586 | - | - | 372,586 |
| Total Capital Assets not Being Depreciated | <u>416,371</u> | <u>-</u> | <u>-</u> | <u>416,371</u> |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Plant, Property, Equipment | 27,739,262 | 547,468 | - | 28,286,730 |
| Total Capital Assets Being Depreciated | <u>27,739,262</u> | <u>547,468</u> | <u>-</u> | <u>28,286,730</u> |
| Less Accumulated Depreciation for: | | | | |
| Plant, Property and Equipment | (17,449,469) | (865,900) | - | (18,315,369) |
| Total Accumulated Depreciation | <u>(17,449,469)</u> | <u>(865,900)</u> | <u>-</u> | <u>(18,315,369)</u> |
| Total Capital Assets Being Depreciated, Net | <u>10,289,793</u> | <u>(318,432)</u> | <u>-</u> | <u>9,971,361</u> |
| Activities of Capital Assets, Net | <u>\$ 10,706,164</u> | <u>\$ (318,432)</u> | <u>\$ -</u> | <u>\$ 10,387,732</u> |

Depreciation expense totaled \$865,900 for 2017.

G. Changes in Long-Term Debt

| | Balance December 31, 2017 | Issued | Retired | Balance December 31, 2018 | Amounts Due Within One Year |
|---------------------------------|---------------------------------|-------------------|-------------------|---------------------------------|-----------------------------------|
| Revenue Bonds | \$ 2,795,000 | \$ - | \$ 90,000 | \$ 2,705,000 | \$ 90,000 |
| Capital Leases | - | - | - | - | - |
| Notes Payable | 589,960 | 248,663 | 148,380 | 690,243 | 181,097 |
| Accrued Compensated Absences | 228,285 | - | 20,681 | 207,604 | 20,760 |
| Totals | <u>\$ 3,613,245</u> | <u>\$ 248,663</u> | <u>\$ 259,061</u> | <u>\$ 3,602,847</u> | <u>\$ 291,857</u> |

H. Revenue Bonds and Notes Payable

I. The following are long-term obligations of the System at December 31,

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Revenue Bonds Payable: | | |
| \$490,000 Sewer Revenue Bonds, Series 2014; due in annual installments of \$20,000 to \$25,000 through 2035; interest at 0% to 1.91%, matures 12/1/2035 Secured by net revenue of the Sewer system. | \$ 410,000 | \$ 430,000 |
| Subtotal | 410,000 | 430,000 |
| Less: Current Portion Revenue Bond Payable | 20,000 | 20,000 |
| Long Term Revenue Bonds Payable | <u>\$ 390,000</u> | <u>\$ 410,000</u> |
| Series 2011 Sewer System Revenue Bonds \$2,635,000, due in annual installments of \$50,000 to \$160,000 through 2041; interest 4.35%. Secured by net Revenues of the Sewer System, matures 12/1/2041 | \$ 2,295,000 | \$ 2,365,000 |
| Less: Current Portion Revenue Bond Payable | 70,000 | 65,000 |
| Long Term Revenue Bonds Payable | <u>2,225,000</u> | <u>2,300,000</u> |
| Total Bonds | <u>\$ 2,705,000</u> | <u>\$ 2,795,000</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

The annual requirements to amortize the note payable obtained during the year are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
|-------------------------------|-------------------|------------------|---------------------------|
| 2019 | \$ 181,097 | \$ 23,315 | \$ 204,412 |
| 2020 | 142,062 | 17,188 | 159,250 |
| 2021 | 143,238 | 11,802 | 155,040 |
| 2022 | 148,830 | 6,212 | 155,042 |
| 2023 | 75,017 | 1,080 | 76,097 |
| Thereafter | - | - | - |
| Totals | <u>\$ 690,244</u> | <u>\$ 59,597</u> | <u>\$ 749,841</u> |

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments are as follows:

| <u>Sewer</u> | <u>Revenue Bonds</u> | | |
|-------------------------------|----------------------|---------------------|---------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total Requirements</u> |
| <u>Year Ended December 31</u> | | | |
| 2019 | 90,000 | 89,940 | 179,940 |
| 2020 | 90,000 | 88,400 | 178,400 |
| 2021 | 90,000 | 86,720 | 176,720 |
| 2022 | 100,000 | 84,760 | 184,760 |
| 2023 | 100,000 | 82,466 | 182,466 |
| Thereafter | 2,235,000 | 853,876 | 3,088,876 |
| Totals | <u>\$ 2,705,000</u> | <u>\$ 1,286,162</u> | <u>\$ 3,991,162</u> |

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the System is in compliance with all significant limitations and restrictions.

J. Commitments Under Capitalized Leases

The System software has entered into lease agreements as lessee for the acquisition of a motor control center and generators for the wastewater department, and other equipment as needed. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at December 31, 2018:

| <u>Year Ending December 31:</u> | |
|--|-------------|
| 2019 | - |
| 2020 | - |
| 2021 | - |
| 2022 | 0 |
| 2023 | - |
| Total Minimum Lease Payments | <u>\$ -</u> |
| Less: Amount Representing Interest | <u>-</u> |
| Present Value of Future Minimum Lease Payments | <u>\$ -</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

K. Accumulated Unpaid Vacation and Sick Leave Benefits

Employees are credited with vacation at rates from ten days to twenty days each year depending on the length of their employment with the System and sick leave at the rate of twelve days each year.

Upon termination, employees are paid for any unused vacation (after the first anniversary) and sick leave in the amount of \$10 per day for over sixty days of the sick leave. The System records its obligation for unused vacation and sick leave benefits as they are earned by the employees. The total amount of accrued as of December 31, 2018 was \$207,605, respectively.

L. PENSIONS

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

Defined Benefit Pension Plan

A. Plan Description

The City of Robstown Utility System participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Continued-

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Employees covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

| | <u>2016</u> | <u>2017</u> |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefits | 37 | 38 |
| Inactive employees entitled to but not yet receiving benefits | 42 | 50 |
| Active employees | 44 | 41 |
| Total | <u>123</u> | <u>129</u> |

C. Contributions

The contribution rates for employees in TMRS are 5% of employee gross earnings, and the city matching percentages are 150%, 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 Robstown Utility System were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Robstown Utility System were 17.13% and 13.22% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended December 31, 2018, were \$295,225, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 10.5% including inflation |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |
| Other Notes | Decreased municipal matching ratio from 2-1 to 1.5 to 1. |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

The long-term expected rate of return on pension plan investments is 7.0%. 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------|--|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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.

| <i>Changes in the Net Pension Liability</i> | Increase (Decrease) | | |
|---|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at 12/31/2016 | \$ 15,099,580 | \$ 11,614,006 | \$ 3,485,574 |
| Changes for the year: | | | |
| Service cost | 272,764 | - | 272,764 |
| Interest | 962,601 | - | 962,601 |
| Changes of Benefit Terms | (706,204) | - | (706,204) |
| Difference between Expected and Actual Experience | (172,840) | - | (172,840) |
| Changes in Assumptions | - | - | - |
| Contributions – Employer | - | (387,334) | (387,334) |
| Contributions – Employee | - | (114,800) | (114,800) |
| Net Investment Income | - | (1,609,612) | (1,609,612) |
| Benefit Payments, Including Refunds of Employee Contributions | (537,993) | (537,993) | - |
| Administrative Expense | - | (8,342) | (8,342) |
| Other Changes | - | (423) | 423 |
| Net Changes | \$ (181,672) | \$ 1,564,987 | \$ 1,738,915 |
| Balance at 12/31/2017 | \$ 14,917,908 | \$ 13,178,993 | \$ 1,738,915 |

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

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

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|--------------------------------|---|--------------------------|---|
| System's net pension liability | \$3,640,749 | \$1,738,915 | \$156,427 |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Pension Plan Fiduciary Net Position

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

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

For the year ended, the City of Robstown Utility System recognized pension expense/(income) of \$(398,917).

At December 31, 2018, the system reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual economic experience | \$10,930 | \$232,721 |
| Changes in actuarial assumptions | \$21,150 | \$0 |
| Difference between projected and actual investment earnings | \$0 | \$397,086 |
| Contributions subsequent to the measurement date | \$294,228 | \$0 |
| Total | \$326,308 | \$629,807 |

\$326,308 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended Dec 31: | |
|--------------------|-------------|
| 2019 | \$40,837 |
| 2020 | \$14,145 |
| 2021 | \$(136,153) |
| 2022 | \$(135,981) |
| 2023 | \$(121,161) |
| Thereafter | \$(259,414) |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Other Post-Employment Benefits (OPEB) – GASB 75

The total OPEB liability of the Texas Municipal Retirement System (the “TMRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered another employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each Utility. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the Utility. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the Utility were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the Utility were 0.26% and 0.28% in calendar years 2017 and 2018, respectively. The Utility’s contributions to TMRS for the year ended December 31, 2018 were \$6,232 and were equal to the required contributions.

Total OPEB Liability

Actuarial assumptions. The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2014. These assumptions were first used in the December 31, 2017 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

I. Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
 B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
 C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
 D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
 E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
 B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
 C. Benefit Amount — 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). The death benefit for retirees is a fixed amount of \$7,500.

Discount rate. The discount rate used to measure the Total OPEB Liability was 3.31%. 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.

| <i>Changes in the Net Pension Liability</i> | Total OPEB Liability |
|---|-----------------------------|
| | (a) |
| Balance at 12/31/2016 | \$ 141,562 |
| Changes for the year: | |
| Service cost | 5,051 |
| Interest | 5,420 |
| Changes of Benefit Terms | - |
| Difference between Expected and Actual Experience | - |
| Changes in Assumptions | 11,530 |
| Contributions – Employer | - |
| Contributions – Employee | - |
| Net Investment Income | - |
| Benefit Payments, Including Refunds of Employee Contributions | (1,378) |
| Administrative Expense | - |
| Other Changes | - |
| Net Changes | \$ 20,631 |
| Balance at 12/31/2017 | \$ 162,193 |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Sensitivity of the total OPEB liability to changes in the discount rate. The following shows the total OPEB liability calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

| | 1% Decrease in Discount Rate (2.31%) | Discount Rate (3.31%) | 1% Increase in Discount Rate (4.31%) |
|------------------------------|--|--------------------------|--|
| City's net pension liability | \$191,050 | \$162,193 | \$138,914 |

OPEB plan total liability. Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended December 31, 2018, the City recognized OPEB expense of \$12,751.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$0 | \$0 |
| Changes in actuarial assumptions | \$9,258 | \$0 |
| Difference between projected and actual investment earnings | \$-0- | \$0 |
| Contributions subsequent to the measurement date | \$6,232 | \$0 |
| Total | \$15,490 | \$0 |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

\$6,232 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended Dec 31: | |
|--------------------|---------|
| 2019 | \$2,840 |
| 2020 | \$2,840 |
| 2021 | \$2,840 |
| 2022 | \$2,840 |
| 2023 | \$138 |
| Thereafter | \$0 |

M. POST EMPLOYMENT HEALTH CARE BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid in full by the insured for the actual month covered. This program is offered for a period of 18 months after the termination date. There is no associated cost to the City under this program.

| City supplemental death to: | Plan Year 2018 | Plan Year 2017 |
|------------------------------|----------------|----------------|
| Active employees (yes or no) | Yes | Yes |
| Retirees (yes or no) | Yes | Yes |

Contributions

The city contributes to the Supplemental Death Benefits Fund 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 Supplemental Death Benefits Fund 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 contributes to the Supplemental Death Benefits Fund 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 Supplemental Death Benefits Fund 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 contribution to the TMRS SDBF for the years ended 2018, 2017 and 2016 were \$1,287, \$1,424, and \$1,420, respectively, which equaled the required contributions each year.

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

N. Health Care Coverage

During the year ended December 31, 2018, employees of the System were covered by a health insurance plan (the Plan). The System paid premiums of \$435.12 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the System and the licensed insurer is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Humana are available for the year ended December 31, 2017, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

N. Agency Funds

The System is acting as the collection agent for the City of Robstown, Texas, and for Absolute Industries for garbage services provided to the citizens of Robstown.

P. Related Party Transactions

During 2018, the System made transfers of cash and utility services to the City of Robstown, Texas. Cash transfers to the City are considered to be discretionary transfers of capital and are reflected as such in the financial statements. These transfers are summarized as follows:

| | General Operating Fund | Gas System | Electric & Light Power System | Sewer System | Total |
|------------------------|------------------------------|-----------------|-------------------------------------|-----------------|---------------------|
| Cash Transfers to City | \$ - | \$ - | \$ 1,937,560 | \$ - | \$ 1,937,560 |
| Free Utility to City | - | 2,505 | 207,021 | 6,398 | 215,924 |
| Total | <u>\$ -</u> | <u>\$ 2,505</u> | <u>\$ 2,144,581</u> | <u>\$ 6,398</u> | <u>\$ 2,153,484</u> |

During 2017, the System made transfers of cash and utility services to the City of Robstown, Texas. Cash transfers to the City are considered to be discretionary transfers of capital and are reflected as such in the financial statements. These transfers are summarized as follows:

| | General Operating Fund | Gas System | Electric & Light Power System | Sewer System | Total |
|------------------------|------------------------------|-----------------|-------------------------------------|------------------|---------------------|
| Cash Transfers to City | \$ - | \$ - | \$ 1,055,681 | \$ - | \$ 1,055,681 |
| Free Utility to City | - | 2,656 | 350,754 | 10,606 | 364,016 |
| Total | <u>\$ -</u> | <u>\$ 2,656</u> | <u>\$ 1,406,435</u> | <u>\$ 10,606</u> | <u>\$ 1,419,697</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Q. Allocation of Administrative Expenses

General and Administrative expenses are recorded through the General Operating Fund. These expenses are allocated to the various utility funds on the following basis: This allocation results in inter-fund receivables and payables as reflected in Note E. The allocation was changed during the 2018 fiscal year to the following:

| | |
|-------------------------------|-----|
| Gas System | 10% |
| Electric Light & Power System | 75% |
| Sewer System | 15% |

R. Segment Information

Segment information at December 31, 2018 is as follows:

| | Gas System | Electric Light & Power System | Sewer System | Total |
|---|-------------------|----------------------------------|-------------------|---------------------|
| Income: | | | | |
| Sales and Services | \$ 1,535,151 | \$ 11,127,453 | \$ 1,862,545 | \$ 14,525,149 |
| Operating Expenses: | | | | |
| Cost of Sales | 413,313 | 5,272,116 | - | 5,685,429 |
| Operating, Transmission, and Distribution Expenses | 762,970 | 1,023,666 | 1,091,973 | 2,878,609 |
| General and Admin. Expenses | 217,883 | 1,350,624 | 592,649 | 2,161,156 |
| Total Operating Expenses | 1,394,166 | 7,646,406 | 1,684,622 | 10,725,194 |
| Gross Profit (Loss) from Operations | <u>\$ 140,985</u> | <u>\$ 3,481,047</u> | <u>\$ 177,923</u> | <u>\$ 3,799,955</u> |

Segment information at December 31, 2017 is as follows:

| | Gas System | Electric Light & Power System | Sewer System | Total |
|---|-------------------|----------------------------------|-------------------|---------------------|
| Income: | | | | |
| Sales and Services | \$ 1,435,614 | \$ 11,500,755 | \$ 1,874,819 | \$ 14,811,188 |
| Operating Expenses: | | | | |
| Cost of Sales | 310,171 | 5,196,508 | - | 5,506,679 |
| Operating, Transmission, and Distribution Expenses | 747,127 | 1,253,891 | 1,138,841 | 3,139,859 |
| General and Admin. Expenses | 274,216 | 1,886,102 | 597,922 | 2,758,240 |
| Total Operating Expenses | 1,331,514 | 8,336,501 | 1,736,763 | 11,404,778 |
| Gross Profit (Loss) from Operations | <u>\$ 104,100</u> | <u>\$ 3,164,254</u> | <u>\$ 138,056</u> | <u>\$ 3,406,410</u> |

S. Deferred Charges/Deferred Credits

GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources. The Utility System has recorded deferred fuel charges for amounts that are still a receivable from the customers for fuel charges that have not been assessed but will be assessed in a future period. (Gas Department). Likewise, the System has some deferred fuel charges – (credits) that will to be passed thru to the customers, these fuel charges pass thru for costs incurred and that will credited for future periods. (Electric Department)

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

T. Prior Period Adjustment

Adjustments were made for the GASB 75 Pension liability.

U. Equity Transfers

Cash transfers and services were provided to the City of Robstown and to the citizens of Robstown which is reflected in the financial statements.

U. Subsequent Events

The System has evaluated subsequent events through May 29, 2019, the date which the financial statements were available to be issued.

V. Deficit Balances - Net Position Deficit

At December 31, 2018, the Utility System Gas Department maintains a deficit net position in the unrestricted net position. This deficit is anticipated to be eliminated with future revenues.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ROBSTOWN UTILITY SYSTEMS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Plan Year Ended December 31, | | | |
|---|------------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | |
| Service cost | \$ 272,764 | \$ 281,354 | \$ 268,794 | \$ 237,759 |
| Interest (on the total pension liability) | 962,601 | 963,551 | 949,552 | 917,269 |
| Changes of benefit terms | (706,204) | - | - | - |
| Difference between expected and actual experience | (172,840) | 2,649 | 14,327 | (158,149) |
| Change of assumptions | - | - | 33,915 | - |
| Benefit payments, including refunds of employee contributions | (537,993) | (564,253) | (561,887) | (540,517) |
| Net Change in Total Pension Liability | (181,672) | 683,301 | 704,701 | 456,362 |
| Total Pension Liability - Beginning | 15,099,580 | 14,416,279 | 13,711,578 | 13,255,216 |
| Total Pension Liability - Ending (a) | <u>\$ 14,917,908</u> | <u>\$ 15,099,580</u> | <u>\$ 14,416,279</u> | <u>\$ 13,711,578</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 387,334 | \$ 391,152 | \$ 407,155 | \$ 377,200 |
| Contributions - employee | 114,800 | 118,615 | 120,126 | 110,734 |
| Net investment income | 1,609,612 | 739,186 | 16,182 | 596,612 |
| Benefit payments, including refunds of employee contributions | (537,993) | (564,253) | (561,887) | (540,517) |
| Administrative expense | (8,342) | (8,349) | (9,857) | (6,229) |
| Other | (423) | (450) | (487) | (512) |
| Net Change in Plan Fiduciary Net Position | 1,564,988 | 675,901 | (28,768) | 537,288 |
| Plan Fiduciary Net Position - Beginning | 11,614,006 | 10,938,105 | 10,966,873 | 10,429,585 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 13,178,994</u> | <u>\$ 11,614,006</u> | <u>\$ 10,938,105</u> | <u>\$ 10,966,873</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 1,738,914</u> | <u>\$ 3,485,574</u> | <u>\$ 3,478,174</u> | <u>\$ 2,744,705</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 88.34% | 76.92% | 75.87% | 79.98% |
| Covered Payroll | \$ 2,295,993 | \$ 2,372,290 | \$ 2,347,542 | \$ 2,214,670 |
| Net Pension Liability as a Percentage of Covered Payroll | 75.74% | 146.93% | 148.16% | 123.93% |

CITY OF ROBSTOWN UTILITY SYSTEMS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Fiscal Year Ended December 31, | | | |
|--|--------------------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 295,225 | \$ 393,303 | \$ 397,072 | \$ 407,063 |
| Contributions in relation to actuarially determined contribution | <u>(295,225)</u> | <u>(393,303)</u> | <u>(397,072)</u> | <u>(407,063)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,233,165 | \$ 2,295,989 | \$ 2,367,754 | \$ 2,347,537 |
| Contributions as a percentage of covered payroll | 13.22% | 17.13% | 16.77% | 17.34% |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Valuation Date: 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 | 26 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table based on 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: There were no benefit changes during the year.

CITY OF ROBSTOWN UTILITY SYSTEMS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Plan Year Ended December 31, 2017 |
|--|---|
| Total OPEB Liability | |
| Service cost | \$ 5,051 |
| Interest (on the total OPEB liability) | 5,420 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | - |
| Change of assumptions | 11,538 |
| Benefit payments, including refunds of employee contributions | (1,378) |
| Net Change in Total OPEB Liability | 20,631 |
| Total OPEB Liability - Beginning | 141,562 |
| Total OPEB Liability - Ending (a) | \$ 162,193 |
| Covered Payroll | \$ 2,295,993 |
| Total OPEB Liability as a Percentage of Covered Payroll | 7.06% |

CITY OF ROBSTOWN UTILITY SYSTEMS
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

Valuation Date: 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 | 17 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table based on 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: There were no benefit changes during the year.

COMBINING STATEMENTS AND BUDGET COMPARISONS



ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government has decided that periodic determination of net income is appropriate for accountability purposes.

CITY OF ROBSTOWN UTILITY SYSTEMS
COMBINING STATEMENT OF NET POSITION
ALL ENTERPRISE FUNDS
DECEMBER 31, 2018 AND 2017

| | Sewage Fund | Electric Fund |
|--|----------------------------|--------------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Accounts Receivable - Net of Provisions for Doubtful Accounts</i> | \$ 433,118 | 2,322,261 |
| <i>Materials & Supplies Inventory</i> | - | 466,594 |
| <i>Prepaid Expenses</i> | - | - |
| <i>Due from Other Utility Funds</i> | - | 4,821,844 |
| <i>Total Current Assets</i> | <u>\$ 433,118</u> | <u>7,610,698</u> |
| Restricted Assets: | | |
| <i>Cash</i> | \$ 391,235 | 308,919 |
| <i>Total Restricted Assets</i> | <u>\$ 391,235</u> | <u>308,919</u> |
| Capital Assets: | | |
| <i>Land</i> | \$ 1,414 | 22,371 |
| <i>Construction in Progress</i> | 372,586 | - |
| <i>Property, Plant and Equipment</i> | 11,121,318 | 13,129,857 |
| <i>Less Accumulated Depreciation</i> | (5,477,853) | (10,207,986) |
| <i>Total Net Fixed Assets</i> | <u>\$ 6,017,465</u> | <u>2,944,242</u> |
| Intangible Assets: | | |
| <i>Unamortized Bond Issue Cost</i> | \$ - | - |
| <i>Total Intangible Assets</i> | <u>\$ -</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 6,841,817</u></u> | <u><u>10,863,859</u></u> |
| Deferred outflow of resources | | |
| <i>Deferred Fuel Charges</i> | \$ - | - |
| <i>Deferred Resource Outflows - Pension</i> | 51,712 | 87,235 |
| <i>Deferred Resource Outflows - OPEB</i> | 2,455 | 4,141 |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Accounts Payable and Other Payables</i> | \$ - | 4,797 |
| <i>Accumulated Compensation Absences</i> | 41,999 | 55,377 |
| <i>Accrued Wages</i> | - | 36,845 |
| <i>Current Portion of Capital Leases Payable</i> | - | - |
| <i>Current Portion of Notes Payable</i> | 63,632 | 76,433 |
| <i>Due to Other Utility Funds</i> | 106,389 | 130,215 |
| <i>Other Current Liabilities</i> | - | - |
| <i>Total Current Liabilities</i> | <u>\$ 212,020</u> | <u>303,667</u> |
| Payable from Restricted Assets: | | |
| <i>Accrued Interest Payable</i> | \$ 7,495 | - |
| <i>Current Portion of Revenue Bonds Payable</i> | 90,000 | - |
| <i>Total Payable from Restricted Assets</i> | <u>\$ 97,495</u> | <u>-</u> |
| Long-Term Liabilities: | | |
| <i>Capital Leases Payable - Net of Current Portion</i> | \$ - | - |
| <i>Notes Payable</i> | 212,393 | 161,891 |
| <i>Pension Liability</i> | 275,577 | 464,879 |
| <i>OPEB Liability</i> | 25,704 | 43,360 |
| <i>Revenue Bonds Payable - Net of Current Portion</i> | 2,615,000 | - |
| <i>Total Long-Term Liabilities</i> | <u>\$ 3,128,674</u> | <u>670,130</u> |
| Other Liabilities: | | |
| <i>Customer Deposits</i> | \$ - | 440,685 |
| <i>Total Other Liabilities</i> | <u>-</u> | <u>440,685</u> |
| Total Liabilities | <u><u>\$ 3,438,188</u></u> | <u><u>1,414,482</u></u> |
| Deferred inflow of resources | | |
| <i>Deferred Fuel Credits</i> | \$ - | 617,935 |
| <i>Deferred inflow of resources - Pension</i> | 99,810 | 168,372 |
| <i>Deferred inflow of resources - OPEB</i> | - | - |
| Net Position: | | |
| <i>Invested in Capital Assets</i> | \$ 2,735,160 | 2,274,112 |
| <i>Restricted for Revenue Bond Debt</i> | 104,331 | - |
| <i>Unrestricted</i> | 518,495 | 6,480,334 |
| <i>Total Net Position</i> | <u><u>\$ 3,357,986</u></u> | <u><u>8,754,447</u></u> |

EXHIBIT B-1

| Gas Fund | Totals | |
|------------------|----------------------|----------------------|
| | December 31, 2018 | December 31, 2017 |
| 427,861 | 3,183,239 | 3,167,223 |
| 40,811 | 507,405 | 475,037 |
| - | - | - |
| - | 4,821,844 | 3,481,105 |
| <u>468,672</u> | <u>8,512,488</u> | <u>7,123,365</u> |
| 4,891 | 705,044 | 912,304 |
| <u>4,891</u> | <u>705,044</u> | <u>912,304</u> |
| - | 23,785 | 23,785 |
| - | 372,586 | 372,586 |
| 2,729,925 | 26,981,100 | 26,610,120 |
| (2,022,345) | (17,708,184) | (16,955,069) |
| <u>707,580</u> | <u>9,669,287</u> | <u>10,051,422</u> |
| - | - | - |
| - | - | - |
| <u>1,181,143</u> | <u>18,886,819</u> | <u>18,087,091</u> |
| 17,404 | 17,404 | - |
| 63,586 | 202,533 | 503,117 |
| 3,018 | 9,614 | - |
| 701 | 5,497 | 12,558 |
| 29,399 | 126,775 | 146,050 |
| 10,257 | 47,102 | 50,725 |
| - | - | - |
| 21,594 | 161,659 | 148,380 |
| 879,946 | 1,116,550 | 1,757,008 |
| - | - | - |
| <u>941,897</u> | <u>1,457,584</u> | <u>2,114,721</u> |
| - | 7,495 | 7,199 |
| - | 90,000 | 90,000 |
| - | <u>97,495</u> | <u>97,199</u> |
| - | - | - |
| 53,192 | 427,475 | 441,580 |
| 338,855 | 1,079,310 | 1,986,777 |
| 31,606 | 100,670 | - |
| - | 2,615,000 | 2,705,000 |
| <u>423,652</u> | <u>4,222,456</u> | <u>5,133,357</u> |
| 180,492 | 621,177 | 614,233 |
| <u>180,492</u> | <u>621,177</u> | <u>614,233</u> |
| <u>1,546,042</u> | <u>6,398,712</u> | <u>7,959,510</u> |
| - | 617,935 | 329,677 |
| 122,728 | 390,909 | 9,330 |
| - | - | - |
| 283,928 | 5,293,200 | 4,747,117 |
| - | 104,331 | 193,905 |
| (687,547) | 6,311,283 | 5,350,669 |
| <u>(403,619)</u> | <u>11,708,814</u> | <u>10,291,691</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ALL ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT B-2
Page 1 of 2

| | Sewage Fund | Electric Fund |
|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Operating Revenues: | | |
| <i>Sales and Service</i> | \$ 1,862,545 | 11,127,453 |
| <i>Total Revenue</i> | <u>\$ 1,862,545</u> | <u>11,127,453</u> |
| Operating Expenses: | | |
| <i>Cost of Sales</i> | \$ - | 5,272,116 |
| <i>Power Plant Operations Expenses</i> | - | 966 |
| <i>Distribution Expenses</i> | - | 993,684 |
| <i>Substation Expenses</i> | - | 29,016 |
| <i>Plant and Operating Expenses</i> | 1,091,973 | - |
| <i>General and Administrative Expenses:</i> | | |
| <i>General Operating (Admin.) Expense</i> | 205,030 | 1,025,152 |
| <i>Insurance</i> | 6,501 | 26,003 |
| <i>Depreciation/Amortization</i> | 381,118 | 299,469 |
| <i>Bad Debts</i> | - | - |
| <i>Total Operating Expenses</i> | <u>\$ 1,684,622</u> | <u>7,646,406</u> |
| Net Operating (Loss) Profit | <u>\$ 177,922</u> | <u>3,481,047</u> |
| Non-Operating Revenues and (Expenses) | | |
| <i>Investment Income</i> | \$ 7,341 | 16 |
| <i>Interest (Expense)</i> | (101,183) | (5,600) |
| <i>Loss on Disposal of Asset</i> | - | - |
| <i>Other Income (Expenses)</i> | - | - |
| <i>Transfers In</i> | - | - |
| <i>Transfers Out</i> | - | - |
| <i>Free Utility Service to City</i> | (6,398) | (207,021) |
| <i>Total Non-Operating Revenue and (Expenses)</i> | <u>\$ (100,240)</u> | <u>(212,605)</u> |
| Net Income (Loss) for Year | \$ 77,682 | 3,268,442 |
| Net Position - Beginning | \$ 3,273,417 | 7,423,564 |
| Equity Transfers/Prior Period Adjustments | 6,887 | - |
| Net Position - Beginning as Restated | <u>\$ 3,280,304</u> | <u>7,423,564</u> |
| Cash Transfers to City | - | (1,937,560) |
| Net Position - Ending | <u><u>\$ 3,357,986</u></u> | <u><u>8,754,447</u></u> |

| Gas Fund | Totals | |
|------------------|-------------------|-------------------|
| | December 31, 2018 | December 31, 2017 |
| <u>1,535,151</u> | <u>14,525,149</u> | <u>14,811,189</u> |
| <u>1,535,151</u> | <u>14,525,149</u> | <u>14,811,189</u> |
| 413,313 | 5,685,428 | 5,506,679 |
| - | 966 | 705 |
| 762,970 | 1,756,654 | 1,960,485 |
| - | 29,016 | 39,830 |
| - | 1,091,973 | 1,138,841 |
| 136,687 | 1,366,869 | 1,885,552 |
| 8,668 | 41,172 | 40,487 |
| 72,528 | 753,115 | 832,200 |
| - | - | - |
| <u>1,394,166</u> | <u>10,725,194</u> | <u>11,404,779</u> |
| <u>140,985</u> | <u>3,799,955</u> | <u>3,406,410</u> |
| 1,958 | 9,315 | 6,056 |
| (2,471) | (109,254) | (113,742) |
| - | - | - |
| - | - | - |
| - | - | - |
| (2,505) | (215,924) | (206,739) |
| <u>(3,017)</u> | <u>(315,863)</u> | <u>(314,425)</u> |
| 137,968 | 3,484,092 | 3,091,985 |
| <u>(405,289)</u> | <u>10,291,692</u> | <u>9,121,745</u> |
| (136,297) | (129,410) | - |
| <u>(541,587)</u> | <u>10,162,282</u> | <u>9,121,745</u> |
| - | (1,937,560) | (1,922,038) |
| <u>(403,619)</u> | <u>11,708,814</u> | <u>10,291,692</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
STATEMENT OF CASH FLOWS
ALL BUSINESS TYPE ACTIVITIES
YEAR ENDED DECEMBER 31, 2018 AND 2017

| | Sewage Fund | Electric Fund |
|---|---------------------|--------------------|
| Cash flow from operating activities: | | |
| <i>Cash received from customers</i> | \$ 1,833,615 | 11,136,160 |
| <i>Cash Payments to Employees for Services</i> | (500,879) | (815,745) |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | (808,843) | (6,313,300) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 523,892</u> | <u>4,007,115</u> |
| Cash Flows from Non-capital Financing Activities: | | |
| <i>Proceeds (Payments) from (for) Borrowings-Other Funds</i> | \$ (136,478) | (873,936) |
| <i>Other Proceeds/Other Adjustment/Transfers</i> | (141,564) | (886,039) |
| <i>Transfers Out to City and Free Service to City</i> | (6,398) | (2,144,581) |
| <i>Operating Transfers From (To) Other Funds</i> | - | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>\$ (284,440)</u> | <u>(3,904,556)</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| <i>Proceeds from Issuance of Long term Debt</i> | \$ (153,639) | 71,287 |
| <i>Principal and Interest Paid</i> | (118,202) | 17,605 |
| <i>Acquisition or Construction of Capital Assets</i> | (210,659) | (104,196) |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>\$ (482,501)</u> | <u>(15,303)</u> |
| Cash Flows from Investing Activities: | | |
| <i>Interest and Dividends on Investments</i> | \$ 7,341 | 16 |
| Net Cash Provided (Used) for Investing Activities | <u>\$ 7,341</u> | <u>16</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ (235,707) | 87,273 |
| Cash and Cash Equivalents at Beginning of Year | 577,142 | 154,387 |
| Cash and Cash Equivalents at End of Year | <u>\$ 341,435</u> | <u>241,660</u> |
| Reconciliation of Operating Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ 177,922 | 3,481,047 |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Provided by Operating Activities | | |
| <i>Depreciation</i> | 381,118 | 299,469 |
| <i>Provision for Uncollectible Accounts</i> | - | - |
| Change in Assets and Liabilities | | |
| <i>Decrease (Increase) in Receivables</i> | (28,930) | 37,292 |
| <i>Decrease (Increase) in Inventories</i> | - | (28,586) |
| <i>Decrease (Increase) in Prepaid Expenses</i> | - | - |
| <i>Decrease (Increase) in Deferred Charges</i> | - | - |
| <i>Increase (Decrease) in Accounts Payable</i> | - | - |
| <i>Increase (Decrease) in Sales Tax Payable</i> | - | (7,762) |
| <i>Increase (Decrease) in Accrued Wages Payable</i> | - | (1,543) |
| <i>Increase (Decrease) in Accumulated Compensation Absences</i> | (6,514) | (16,106) |
| <i>Increase (Decrease) in Capital Leases</i> | - | - |
| <i>Increase (Decrease) in Notes Payable</i> | - | - |
| <i>Increase (Decrease) in Customer Deposits</i> | - | 4,465 |
| <i>Increase)Decrease) in Deferred Fuel Charges</i> | - | 480,798 |
| <i>Increase (Decrease) in Accrued Expense</i> | 297 | (241,961) |
| Total Adjustments | <u>\$ 345,970</u> | <u>526,068</u> |
| Net Cash Provided by Operating Activities | <u>\$ 523,892</u> | <u>4,007,115</u> |

EXHIBIT B-3

| Gas Fund | Totals | |
|------------------|----------------------|----------------------|
| | December 31, 2018 | December 31, 2017 |
| 1,489,587 | 14,459,361 | 14,233,479 |
| (586,567) | (1,903,192) | (2,057,307) |
| <u>(752,151)</u> | <u>(7,874,293)</u> | <u>(8,986,251)</u> |
| <u>150,869</u> | <u>4,681,876</u> | <u>3,189,921</u> |
| | | |
| (262,018) | (1,272,432) | (1,343,973) |
| (174,949) | (1,202,552) | 448,586 |
| (2,505) | (2,153,483) | (2,128,777) |
| 13,994 | 13,994 | 12,076 |
| <u>(425,478)</u> | <u>(4,614,473)</u> | <u>(3,012,089)</u> |
| | | |
| (21,752) | (104,105) | (238,380) |
| (2,471) | (103,067) | (108,345) |
| <u>(56,126)</u> | <u>(370,980)</u> | <u>(545,030)</u> |
| <u>(80,348)</u> | <u>(578,152)</u> | <u>(891,754)</u> |
| | | |
| 1,958 | 9,315 | 6,056 |
| <u>1,958</u> | <u>9,315</u> | <u>6,056</u> |
| | | |
| (352,999) | (501,434) | (707,867) |
| 180,776 | 912,304 | 1,612,294 |
| <u>(172,224)</u> | <u>410,870</u> | <u>904,427</u> |
| | | |
| 140,985 | 3,799,955 | 3,406,410 |
| | | |
| 72,528 | 753,115 | 832,200 |
| - | - | - |
| (24,378) | (16,016) | (576,191) |
| (3,782) | (32,368) | (1,518) |
| - | - | - |
| (17,404) | (17,404) | - |
| - | - | - |
| 701 | (7,061) | (105,030) |
| (2,080) | (3,622) | 7,617 |
| 3,346 | (19,274) | 18,094 |
| - | - | - |
| 7,389 | 7,389 | (839) |
| 2,480 | 6,945 | 13,255 |
| (28,916) | 451,883 | (378,252) |
| - | (241,665) | (25,824) |
| <u>9,884</u> | <u>881,922</u> | <u>(216,489)</u> |
| <u>150,869</u> | <u>4,681,876</u> | <u>3,189,921</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
SEWAGE FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

EXHIBIT B-4

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Accounts Receivable - Net of Provisions for Doubtful Accounts</i> | \$ 433,118 | 404,188 |
| <i>Materials & Supplies Inventory</i> | - | - |
| <i>Prepaid Expenses</i> | - | - |
| <i>Due from Other Utility Funds</i> | - | - |
| <i>Total Current Assets</i> | <u>\$ 433,118</u> | <u>404,188</u> |
| Non-Current Assets: | | |
| Restricted Assets: | | |
| <i>Cash- In Escrow-Other</i> | \$ 391,235 | 577,142 |
| <i>Total Restricted Assets</i> | <u>\$ 391,235</u> | <u>577,142</u> |
| Capital Assets: | | |
| <i>Land</i> | \$ 1,414 | 1,414 |
| <i>Construction in Progress</i> | 372,586 | 372,586 |
| <i>Property, Plant and Equipment</i> | 11,121,318 | 10,910,659 |
| <i>Less Accumulated Depreciation</i> | (5,477,853) | (5,096,735) |
| <i>Total Net Fixed Assets</i> | <u>\$ 6,017,465</u> | <u>6,187,924</u> |
| Intangible Assets: | | |
| <i>Unamortized Bond Issue Cost</i> | \$ - | - |
| <i>Total Intangible Assets</i> | <u>\$ -</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 6,841,817</u></u> | <u><u>7,169,253</u></u> |
| Deferred Resource Outflows - Pension | \$ 51,712 | 150,052 |
| Deferred Resource Outflows - OPEB | 2,455 | - |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Accounts Payable</i> | \$ - | - |
| <i>Accrued Interest</i> | 7,495 | 7,199 |
| <i>Accumulated Compensation Absences</i> | 41,999 | 48,513 |
| <i>Accrued Wages</i> | - | - |
| <i>Current Portion of Capital Leases Payable</i> | - | - |
| <i>Current Portion of Notes Payable</i> | 63,632 | 80,947 |
| <i>Due to Other Utility Funds</i> | 106,389 | 242,867 |
| <i>Total Current Liabilities</i> | <u>\$ 219,515</u> | <u>379,526</u> |
| Payable from Restricted Assets: | | |
| <i>Current Portion of Revenue Bonds Payable</i> | \$ 90,000 | 90,000 |
| <i>Total Payable from Restricted Assets</i> | <u>\$ 90,000</u> | <u>90,000</u> |
| Long-Term Liabilities | | |
| <i>Notes Payable/Leases Payable</i> | \$ 212,393 | 276,033 |
| <i>Pension Liability</i> | 275,577 | 592,548 |
| <i>OPEB Liability</i> | 25,704 | - |
| <i>Revenue Bonds Payable - Net of Current Portion</i> | 2,615,000 | 2,705,000 |
| <i>Total Long-Term Liabilities</i> | <u>\$ 3,128,674</u> | <u>3,573,580</u> |
| <i>Total Liabilities</i> | <u>\$ 3,438,188</u> | <u>4,043,106</u> |
| Deferred Resource Inflows - Pension | \$ 99,810 | 2,783 |
| Deferred Resource Inflows - OPEB | - | - |
| Net Position: | | |
| Invested in Capital Assets | \$ 2,735,160 | 2,443,396 |
| Restricted for Revenue Bond Debt | 104,331 | 193,905 |
| Unrestricted | 518,495 | 636,115 |
| <i>Total Net Position</i> | <u>\$ 3,357,986</u> | <u>3,273,417</u> |



CITY OF ROBSTOWN UTILITY SYSTEMS
 SEWAGE FUND
 ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT B-5
 Page 1 of 2

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|------------------|
| Operating Revenues: | | |
| <i>Sales and Service</i> | \$ 1,862,545 | 1,874,819 |
| <i>Total Revenue</i> | <u>\$ 1,862,545</u> | <u>1,874,819</u> |
| Expenses: | | |
| Plant and Operating Expenses | | |
| <i>Salaries</i> | \$ 223,126 | 224,756 |
| <i>Overtime and Standby Wages</i> | 31,886 | 25,088 |
| <i>Fringe Benefits</i> | 29,914 | 8,890 |
| <i>Social Security</i> | 18,477 | 18,064 |
| <i>Retirement-Pension</i> | 34,069 | 40,610 |
| <i>Retirement-OPEB</i> | 1,761 | - |
| <i>Insurance Benefits</i> | 20,343 | 22,096 |
| <i>Office Supplies and Expense</i> | 1,923 | 1,965 |
| <i>Computers/Related Expense</i> | 3,881 | 6,365 |
| <i>Contract Services</i> | 12,425 | 16,095 |
| <i>Professional Services</i> | 11,133 | 24,845 |
| <i>Utilities</i> | 304,562 | 306,661 |
| <i>Telephone</i> | 1,465 | 1,349 |
| <i>Fuel and Oil</i> | 20,535 | 19,039 |
| <i>Meals and Traveling</i> | 1,756 | 1,450 |
| <i>Tools and Supplies</i> | 19,695 | 22,052 |
| <i>Dues, Fees, and Subscriptions</i> | 27,480 | 15,544 |
| <i>Lab Supplies</i> | 4,247 | 3,134 |
| <i>Vehicle Maintenance</i> | 25,823 | 33,009 |
| <i>Plant Maintenance</i> | 5,996 | 5,148 |
| <i>Safety Relation-Job Training</i> | 27,407 | 18,680 |
| <i>Chemicals</i> | 34,398 | 20,532 |
| <i>Testing</i> | 20,835 | 24,274 |
| <i>Structure & Improvement Maintenance</i> | 2,292 | 261 |
| <i>Non-capitalized outlay expenses</i> | - | - |
| <i>Miscellaneous</i> | 278 | 2,214 |
| <i>Collection Salaries</i> | 80,056 | 87,218 |
| <i>Overtime and Standby Wages</i> | 14,919 | 14,353 |
| <i>Fringe Benefits</i> | 3,683 | 6,594 |
| <i>Social Security</i> | 6,470 | 7,314 |
| <i>Retirement-Pension</i> | 11,622 | 51,013 |
| <i>Retirement-OPEB</i> | - | - |
| <i>Insurance Benefits</i> | 18,041 | 14,921 |
| <i>Contract Labor</i> | 3,584 | 40,085 |
| <i>Meals and Traveling</i> | - | - |
| <i>Tools and Supplies</i> | 1,060 | 577 |
| <i>Vehicle Maintenance</i> | 450 | - |
| <i>Construction</i> | - | - |
| <i>Bond Costs</i> | - | - |
| <i>Other Maintenance</i> | 56,592 | 46,226 |
| <i>Other Operating Expenses</i> | 9,791 | 8,421 |
| Total Plant and Operating Expenses | <u>\$ 1,091,973</u> | <u>1,138,841</u> |
| General and Administrative Expenses: | | |
| <i>General Operating (Admin.) Expense</i> | \$ 205,030 | 188,555 |
| <i>Insurance</i> | 6,501 | 6,393 |
| <i>Depreciation/Amortization</i> | 381,118 | 402,974 |
| <i>Bad Debts</i> | - | - |
| Total General and Administrative Expenses | <u>\$ 592,649</u> | <u>597,922</u> |
| Total Expenses | <u>\$ 1,684,622</u> | <u>1,736,763</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
SEWAGE FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|------------------|
| Net Operating (Loss) Profit | \$ 177,922 | 138,056 |
| Non-Operating Revenues and (Expenses) | | |
| <i>Investment Income</i> | 7,341 | 2,514 |
| <i>Interest (Expense)</i> | (101,183) | (104,999) |
| <i>Loss on Disposal of Asset</i> | - | - |
| <i>Other Income (Expenses)</i> | - | - |
| <i>Transfers In</i> | - | - |
| <i>Transfers Out</i> | - | - |
| <i>Free Utility Service to City</i> | (6,398) | (6,398) |
| <i>Total Non-Operating Revenue and (Expenses)</i> | \$ (100,240) | (108,883) |
| <i>Net Income (Loss) for Year</i> | \$ 77,682 | 29,173 |
| <i>Net Position - Beginning</i> | \$ 3,273,417 | 3,244,244 |
| <i>Prior Period Adjustments/Equity Transfers</i> | 6,887 | - |
| <i>Net Position - Beginning as Restated</i> | \$ 3,280,304 | 3,244,244 |
| <i>Net Position - Ending</i> | \$ <u>3,357,986</u> | <u>3,273,417</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
SEWAGE FUND
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT B-6
Page 1 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|------------------|------------------|--|
| Operating Revenues: | | | | |
| <i>Sales and Service</i> | \$ 1,855,771 | 1,763,061 | 1,862,545 | 99,484 |
| <i>Total Revenue</i> | \$ 1,855,771 | 1,763,061 | 1,862,545 | 99,484 |
| Expenses: | | | | |
| Plant and Operating Expenses | | | | |
| <i>Salaries</i> | \$ 276,348 | 225,067 | 223,126 | 1,941 |
| <i>Overtime and Standby Wages</i> | 21,000 | 31,960 | 31,886 | 74 |
| <i>Fringe Benefits</i> | 8,106 | 22,959 | 29,914 | (6,955) |
| <i>Social Security</i> | 22,747 | 18,747 | 18,477 | 270 |
| <i>Retirement-Pension</i> | 39,309 | 34,109 | 34,069 | 40 |
| <i>Retirement-OPEB</i> | - | - | 1,761 | (1,761) |
| <i>Insurance Benefits</i> | 36,250 | 19,921 | 20,343 | (422) |
| <i>Advertising and Public Relations</i> | 800 | - | - | - |
| <i>Office Supplies and Expense</i> | 4,000 | 2,000 | 1,923 | 77 |
| <i>Computers/Related Expense</i> | 5,000 | 3,900 | 3,881 | 19 |
| <i>Contract Services</i> | 25,000 | 12,425 | 12,425 | - |
| <i>Professional Services</i> | 600 | - | 11,133 | (11,133) |
| <i>Utilities</i> | 300,000 | 304,562 | 304,562 | (0) |
| <i>Telephone</i> | 2,000 | 1,500 | 1,465 | 35 |
| <i>Fuel and Oil</i> | 20,000 | 20,985 | 20,535 | 450 |
| <i>Meals and Traveling</i> | 3,000 | 1,800 | 1,756 | 44 |
| <i>Tools and Supplies</i> | 23,000 | 19,700 | 19,695 | 5 |
| <i>Dues, Fees, and Subscriptions</i> | 12,000 | 27,480 | 27,480 | 0 |
| <i>Lab Supplies</i> | 4,000 | 4,247 | 4,247 | (0) |
| <i>Vehicle Maintenance</i> | 12,000 | 9,540 | 25,823 | (16,283) |
| <i>Plant Maintenance</i> | 20,000 | 6,000 | 5,996 | 4 |
| <i>Safety Relation-Job Training</i> | 20,500 | 27,543 | 27,407 | 136 |
| <i>Chemicals</i> | 52,000 | 34,400 | 34,398 | 2 |
| <i>Testing</i> | 10,000 | 20,835 | 20,835 | - |
| <i>Structure & Improvement Maintenance</i> | 2,000 | 2,292 | 2,292 | (0) |
| <i>Non-capitalized outlay expenses</i> | - | - | - | - |
| <i>Miscellaneous</i> | 800 | 300 | 278 | 22 |
| <i>Collection Salaries</i> | 47,861 | 80,056 | 80,056 | 0 |
| <i>Overtime and Standby Wages</i> | 14,000 | 14,928 | 14,919 | 9 |
| <i>Fringe Benefits</i> | 6,202 | 3,522 | 3,683 | (161) |
| <i>Social Security</i> | 4,732 | 6,470 | 6,470 | (0) |
| <i>Retirement-Pension</i> | 8,178 | 11,622 | 11,622 | 0 |
| <i>Retirement-OPEB</i> | - | - | - | - |
| <i>Insurance Benefits</i> | 12,300 | 17,620 | 18,041 | (421) |
| <i>Contract Labor</i> | 26,000 | 14,720 | 3,584 | 11,136 |
| <i>Advertising and Public Relations</i> | - | - | - | - |
| <i>Meals and Traveling</i> | 523 | 23 | - | 23 |
| <i>Tools and Supplies</i> | 2,000 | 1,060 | 1,060 | 0 |
| <i>Vehicle Maintenance</i> | 15,000 | 16,291 | 450 | 15,841 |
| <i>Bond Costs</i> | - | - | - | - |
| <i>Other Maintenance</i> | 68,000 | 56,640 | 56,592 | 48 |
| <i>Other Operating Expenses</i> | 15,000 | 9,791 | 9,791 | (0) |
| Total Plant and Operating Expenses | \$ 1,140,256 | 1,085,015 | 1,091,973 | (6,958) |
| General and Administrative Expenses: | | | | |
| <i>General Operating (Admin.) Expense</i> | \$ 292,103 | 256,703 | 205,030 | 51,673 |
| <i>Insurance</i> | 5,500 | 4,499 | 6,501 | (2,002) |
| <i>Depreciation/Amortization</i> | - | - | 381,118 | (381,118) |
| <i>Bad Debts</i> | 800 | 800 | - | 800 |
| Total General and Administrative Expenses | \$ 298,403 | 262,002 | 592,649 | 330,647 |

CITY OF ROBSTOWN UTILITY SYSTEMS
 SEWAGE FUND
 ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
 YEAR ENDED DECEMBER 31, 2018

EXHIBIT B-6
 Page 2 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|-----------|--|
| Total Expenses | \$ 1,438,659 | 1,347,017 | 1,684,622 | (337,605) |
| Net Operating (Loss) Profit | \$ 417,112 | 416,044 | 177,922 | (238,122) |
| Non-Operating Revenues and (Expenses) | | | | |
| Investment Income | \$ 5,000 | 5,000 | 7,341 | 2,341 |
| Interest (Expense) | (104,925) | (99,425) | (101,183) | (1,758) |
| Loss on Disposal of Asset | - | - | - | - |
| Other Income (Expenses) | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Free Utility Service to City | (7,000) | (7,747) | (6,398) | 1,349 |
| Total Non-Operating Revenue and (Expenses) | \$ (106,925) | (102,172) | (100,240) | 1,932 |
| Net Income (Loss) for Year | \$ 310,187 | 313,872 | 77,682 | (236,190) |
| Net Position - Beginning | \$ 3,273,417 | 3,273,417 | 3,273,417 | - |
| Equity Transfers | - | - | 6,887 | 6,887 |
| Net Position - Beginning as Restated | \$ 3,273,417 | 3,273,417 | 3,280,304 | 6,887 |
| Cash Transfers to City | - | - | - | - |
| Net Position - Ending | \$ 3,583,604 | 3,587,289 | 3,357,986 | (229,302) |

CITY OF ROBSTOWN UTILITY SYSTEMS
ELECTRIC FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

EXHIBIT B-7

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Accounts Receivable - Net of Provisions for Doubtful Accounts</i> | \$ 2,322,261 | 2,359,553 |
| <i>Materials & Supplies Inventory</i> | 466,594 | 438,008 |
| <i>Prepaid Expenses</i> | - | - |
| <i>Due from Other Utility Funds</i> | 4,821,844 | 3,467,110 |
| <i>Total Current Assets</i> | <u>\$ 7,610,698</u> | <u>6,264,671</u> |
| Restricted Assets: | | |
| <i>Cash</i> | \$ 308,919 | 154,387 |
| <i>Total Restricted Assets</i> | <u>\$ 308,919</u> | <u>154,387</u> |
| Capital Assets: | | |
| <i>Land</i> | \$ 22,371 | 22,371 |
| <i>Construction in Progress</i> | - | - |
| <i>Property, Plant and Equipment</i> | 13,129,857 | 13,025,662 |
| <i>Less Accumulated Depreciation</i> | (10,207,986) | (9,908,517) |
| <i>Total Net Fixed Assets</i> | <u>\$ 2,944,242</u> | <u>3,139,516</u> |
| TOTAL ASSETS | <u>\$ 10,863,859</u> | <u>9,558,573</u> |
| <i>Deferred Resource Outflows - Pension</i> | \$ 87,235 | 255,972 |
| <i>Deferred Resource Outflows - OPEB</i> | 4,141 | - |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Accounts Payable and Other Payables</i> | \$ 4,797 | 12,559 |
| <i>Accumulated Compensation Absences</i> | 55,377 | 71,483 |
| <i>Accrued Wages</i> | 36,845 | 38,388 |
| <i>Current Portion of Capital Leases Payable</i> | - | - |
| <i>Current Portion of Notes Payable</i> | 76,433 | 53,227 |
| <i>Due to Other Utility Funds</i> | 130,215 | 372,176 |
| <i>Total Current Liabilities</i> | <u>\$ 303,667</u> | <u>547,833</u> |
| Payable from Restricted Assets: | | |
| <i>Current Portion of Revenue Bonds Payable</i> | \$ - | - |
| <i>Total Payable from Restricted Assets</i> | <u>\$ -</u> | <u>-</u> |
| Long-Term Liabilities: | | |
| <i>Notes Payable</i> | \$ 161,891 | 90,604 |
| <i>Pension Liability</i> | 464,879 | 1,010,816 |
| <i>OPEB Asset/Liability</i> | 43,360 | - |
| <i>Capital Lease Payable - Net of Current Portion</i> | - | - |
| <i>Total Long-Term Liabilities</i> | <u>\$ 670,130</u> | <u>1,101,420</u> |
| Other Liabilities: | | |
| <i>Customer Deposits</i> | \$ 440,685 | 436,220 |
| <i>Total Other Liabilities</i> | <u>\$ 440,685</u> | <u>436,220</u> |
| Total Liabilities | <u>\$ 1,414,482</u> | <u>2,085,473</u> |
| <i>Deferred inflow of resources</i> | | |
| <i>Deferred Fuel Credits</i> | \$ 617,935 | 300,761 |
| <i>Deferred Resource Inflows - Pension</i> | 168,372 | 4,747 |
| <i>Deferred Resource Inflows - OPEB</i> | - | - |
| Net Position: | | |
| <i>Invested in Capital Assets</i> | \$ 2,274,112 | 2,038,095 |
| <i>Restricted for Revenue Bond Debt</i> | - | - |
| <i>Unrestricted</i> | 6,480,334 | 5,385,469 |
| <i>Total Net Position</i> | <u>\$ 8,754,447</u> | <u>7,423,564</u> |



CITY OF ROBSTOWN UTILITY SYSTEMS
ELECTRIC FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT B-8
Page 1 of 2

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|-------------------|
| Operating Revenues: | | |
| <i>Sales and Service</i> | \$ 11,127,453 | 11,500,755 |
| <i>Total Revenue</i> | <u>\$ 11,127,453</u> | <u>11,500,755</u> |
| Cost of Sales: | | |
| <i>Purchased Power</i> | \$ 5,272,116 | 5,196,508 |
| <i>Total Cost of Sales</i> | <u>\$ 5,272,116</u> | <u>5,196,508</u> |
| Net Sales | <u>\$ 5,855,338</u> | <u>6,304,247</u> |
| Expenses: | | |
| Plant and Operating Expenses | | |
| <i>Fringe Benefits</i> | \$ - | - |
| <i>Legal</i> | - | - |
| <i>Engineering</i> | - | - |
| <i>Utilities and Telephone</i> | 715 | 705 |
| <i>Contract Labor</i> | - | - |
| <i>Tools and Supplies</i> | - | - |
| <i>Dues, Fees, and Subscriptions</i> | - | - |
| <i>Miscellaneous</i> | - | - |
| Power Plant Maintenance | | |
| <i>Vehicle/Structure Maintenance</i> | 251 | - |
| <i>Non-capitalized outlay expenses</i> | - | - |
| Total Power Plant Expenses | <u>\$ 966</u> | <u>705</u> |
| Distribution Expenses | | |
| <i>Distribution Salaries</i> | \$ 551,038 | 592,814 |
| <i>Overtime and Standby Wages</i> | 39,365 | 61,577 |
| <i>Fringe Benefits</i> | 20,592 | 28,287 |
| <i>Social Security</i> | 43,230 | 46,181 |
| <i>Retirement-Pension</i> | 80,384 | 169,057 |
| <i>Retirement-OPEB</i> | 2,970 | - |
| <i>Insurance Benefits</i> | 60,517 | 65,214 |
| <i>Professional Services</i> | - | - |
| <i>Office Supplies and Expenses</i> | 1,712 | 3,120 |
| <i>Contract Services</i> | 52,458 | 71,292 |
| <i>Utilities</i> | 12,880 | 13,234 |
| <i>Telephone</i> | 2,349 | 2,039 |
| <i>Fuel and Oil</i> | 20,284 | 18,835 |
| <i>Meals and Traveling</i> | 1,376 | 510 |
| <i>Tools and Supplies</i> | 16,886 | 18,817 |
| <i>Material Inventory Expenses</i> | - | 11,790 |
| <i>Dues, Fees, and Subscriptions</i> | 4,407 | 2,384 |
| <i>Computers/Related Expenses</i> | 5,384 | 6,002 |
| <i>Vehicle Maintenance</i> | 30,065 | 29,153 |
| <i>Safety Relation-Job Training</i> | 2,137 | 3,293 |
| <i>Other Equip, Structure, and Meter Maint.</i> | 45,586 | 64,114 |
| <i>Groundskeeping Maintenance</i> | 490 | 706 |
| <i>Construction</i> | - | - |
| <i>Construction</i> | - | - |
| <i>Inventory Adjustment</i> | (2,632) | (3,214) |
| <i>Miscellaneous</i> | 2,204 | 8,154 |
| <i>Non-capitalization outlay expenses</i> | - | 0 |
| Total Distribution Expenses | <u>\$ 993,684</u> | <u>1,213,358</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
ELECTRIC FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT B-8
Page 2 of 2

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|-------------------------|
| Substation | | |
| <i>Contract Labor</i> | \$ - | 33,885 |
| <i>Utilities</i> | 1,504 | 1,591 |
| <i>Parts and Supplies</i> | 27,512 | 4,354 |
| Total Substation Expense | <u>\$ 29,016</u> | <u>39,830</u> |
| General and Administrative Expenses | | |
| <i>General Operating (Admin.) Expenses</i> | \$ 1,025,152 | 1,508,442 |
| <i>Insurance</i> | 26,003 | 25,571 |
| <i>Depreciation/Amortization</i> | 299,469 | 352,089 |
| <i>Bad Debts</i> | - | - |
| Total General and Administrative Expenses | <u>\$ 1,350,625</u> | <u>1,886,101</u> |
| Total Expenses | <u>\$ 2,374,291</u> | <u>3,139,993</u> |
| Net Operating (Loss) Profit | <u>\$ 3,481,047</u> | <u>3,164,254</u> |
| Non-Operating Revenues and (Expenses) | | |
| <i>Investment Income</i> | \$ 16 | 3,541 |
| <i>Interest (Expense)</i> | (5,600) | (5,241) |
| <i>Other Income (Expense)</i> | - | - |
| <i>Transfers In (Out)</i> | - | - |
| <i>Free Utility Service to City</i> | (207,021) | (198,749) |
| <i>Total Non-Operating Revenue and (Expenses)</i> | <u>\$ (212,605)</u> | <u>(200,449)</u> |
| Net Income (Loss) for Year | \$ 3,268,442 | 2,963,806 |
| Net Positions - Beginning | 7,423,564 | 6,381,796 |
| Equity Transfers/Prior Period Adjustment | - | - |
| Net Position - Beginning as Restated | <u>\$ 7,423,564</u> | <u>6,381,796</u> |
| Cash Transfers to City | (1,937,560) | (1,922,038) |
| Net Position - Ending | <u><u>\$ 8,754,447</u></u> | <u><u>7,423,564</u></u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
ELECTRIC FUND
ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT B-9
Page 1 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|------------|--|
| Operating Revenues: | | | | |
| <i>Sales and Service</i> | \$ 10,775,035 | 10,980,574 | 11,127,453 | 146,879 |
| <i>Total Revenue</i> | \$ 10,775,035 | 10,980,574 | 11,127,453 | 146,879 |
| Cost of Sales: | | | | |
| <i>Purchased Power</i> | \$ 5,345,361 | 5,272,115 | 5,272,116 | (1) |
| <i>Total Cost of Sales</i> | \$ 5,345,361 | 5,272,115 | 5,272,116 | (1) |
| Net Sales | \$ 5,429,674 | 5,708,459 | 5,855,338 | 146,879 |
| Expenses: | | | | |
| Plant and Operating Expenses | | | | |
| <i>Fringe Benefits</i> | \$ - | - | - | - |
| <i>Legal</i> | - | - | - | - |
| <i>Engineering</i> | 8,000 | - | - | - |
| <i>Utilities and Telephone</i> | 300 | - | 715 | (715) |
| <i>Contract Labor</i> | - | - | - | - |
| <i>Tools and Supplies</i> | - | - | - | - |
| <i>Dues, Fees, and Subscriptions</i> | - | - | - | - |
| <i>Miscellaneous</i> | - | - | - | - |
| Power Plant Maintenance | | | | |
| <i>Vehicle/Structure Maintenance</i> | 8,000 | - | 251 | (251) |
| <i>Non-capitalized outlay expenses</i> | 50,000 | - | - | - |
| Total Power Plant Expenses | \$ 66,300 | - | 966 | (966) |
| Distribution Expenses | | | | |
| <i>Distribution Salaries</i> | \$ 583,975 | 568,687 | 551,038 | 17,649 |
| <i>Overtime and Standby Wages</i> | 35,500 | 39,365 | 39,365 | 1 |
| <i>Fringe Benefits</i> | 22,000 | 19,092 | 20,592 | (1,500) |
| <i>Social Security</i> | 47,390 | 43,230 | 43,230 | 0 |
| <i>Retirement-Pension</i> | 81,895 | 80,384 | 80,384 | (0) |
| <i>Retirement-OPEB</i> | - | - | 2,970 | (2,970) |
| <i>Insurance Benefits</i> | 73,000 | 59,199 | 60,517 | (1,318) |
| <i>Professional Services</i> | - | - | - | - |
| <i>Office Supplies and Expenses</i> | 2,500 | 1,712 | 1,712 | (0) |
| <i>Contract Services</i> | 53,000 | 52,458 | 52,458 | (0) |
| <i>Utilities</i> | 10,000 | 15,099 | 12,880 | 2,219 |
| <i>Telephone</i> | 2,500 | 2,349 | 2,349 | (0) |
| <i>Fuel and Oil</i> | 20,000 | 20,284 | 20,284 | (0) |
| <i>Meals and Traveling</i> | 3,000 | 1,376 | 1,376 | 0 |
| <i>Tools and Supplies</i> | 30,000 | 16,886 | 16,886 | (0) |
| <i>Material Inventory Expenses</i> | 2,000 | - | - | - |
| <i>Dues, Fees, and Subscriptions</i> | 4,000 | 4,407 | 4,407 | (0) |
| <i>Computers/Related Expenses</i> | 3,000 | 5,384 | 5,384 | 0 |
| <i>Vehicle Maintenance</i> | 35,000 | 30,065 | 30,065 | 0 |
| <i>Safety Relation-Job Training</i> | 5,500 | 2,137 | 2,137 | (0) |
| <i>Other Equip. Structure, and Meter Maint.</i> | 87,000 | 83,920 | 45,586 | 38,334 |
| <i>Groundskeeping Maintenance</i> | 6,000 | 490 | 490 | - |
| <i>Construction-Boys & Girls Club</i> | - | - | - | - |
| <i>Construction-Seale Jr. High</i> | - | - | - | - |
| <i>Inventory Adjustment</i> | - | - | (2,632) | 2,632 |
| <i>Miscellaneous</i> | 5,500 | 2,204 | 2,204 | 0 |
| <i>Non-capitalization outlay expenses</i> | - | - | - | - |
| Total Distribution Expenses | \$ 1,112,760 | 1,048,728 | 993,684 | 55,044 |

CITY OF ROBSTOWN UTILITY SYSTEMS
ELECTRIC FUND
ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT B-9
Page 2 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|------------------|------------------|--|
| Substation | | | | |
| <i>Contract Labor</i> | \$ 62,000 | - | - | - |
| <i>Utilities</i> | 2,000 | - | 1,504 | (1,504) |
| <i>Parts and Supplies</i> | 8,000 | - | 27,512 | (27,512) |
| Total Substation Expense | <u>\$ 72,000</u> | <u>-</u> | <u>29,016</u> | <u>(29,016)</u> |
| General and Administrative Expenses | | | | |
| <i>General Operating (Admin.) Expenses</i> | \$ 1,363,145 | 1,283,507 | 1,025,152 | 258,355 |
| <i>Insurance</i> | 25,000 | 26,003 | 26,003 | (0) |
| <i>Depreciation/Amortization</i> | - | 306,763 | 299,469 | 7,294 |
| <i>Bad Debts</i> | 3,500 | 3,500 | - | 3,500 |
| Total General and Administrative Expenses | <u>\$ 1,391,645</u> | <u>1,619,773</u> | <u>1,350,625</u> | <u>269,148</u> |
| Total Expenses | <u>\$ 2,642,705</u> | <u>2,668,501</u> | <u>2,374,291</u> | <u>294,210</u> |
| Net Operating (Loss) Profit | <u>\$ 2,786,969</u> | <u>3,039,958</u> | <u>3,481,047</u> | <u>441,089</u> |
| Non-Operating Revenues and (Expenses) | | | | |
| <i>Investment Income</i> | \$ - | - | 16 | 16 |
| <i>Interest (Expense)</i> | (203,725) | (203,725) | (5,600) | 198,125 |
| <i>Other Income (Expense)</i> | (94,240) | - | - | - |
| <i>Transfers Out</i> | - | - | - | - |
| <i>Free Utility Service to City</i> | (260,000) | (300,000) | (207,021) | 92,979 |
| <i>Total Non-Operating Revenue and (Expenses)</i> | <u>\$ (557,965)</u> | <u>(503,725)</u> | <u>(212,605)</u> | <u>291,120</u> |
| Net Income (Loss) for Year | <u>\$ 2,229,004</u> | <u>2,536,233</u> | <u>3,268,442</u> | <u>732,209</u> |
| Net Position - Beginning | \$ 7,423,564 | 7,423,564 | 7,423,564 | - |
| Equity Transfers | - | - | - | - |
| Net Position - Beginning as Restated | <u>\$ 7,423,564</u> | <u>7,423,564</u> | <u>7,423,564</u> | <u>-</u> |
| Cash Transfers to City | (1,775,000) | (1,937,560) | (1,937,560) | 0 |
| Net Position - Ending | <u>\$ 7,877,568</u> | <u>8,022,237</u> | <u>8,754,447</u> | <u>732,209</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
GAS FUND
ENTERPRISE FUND
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

EXHIBIT B-10

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Accounts Receivable - Net of Provisions for Doubtful Accounts</i> | \$ 427,861 | 403,482 |
| <i>Materials & Supplies Inventory</i> | 40,811 | 37,029 |
| <i>Prepaid Expenses</i> | - | - |
| <i>Deferred Charges</i> | - | - |
| <i>Due from Other Utility Funds</i> | - | 13,994 |
| <i>Total Current Assets</i> | <u>\$ 468,672</u> | <u>454,506</u> |
| Restricted Assets: | | |
| <i>Cash</i> | \$ 4,891 | 180,776 |
| <i>Total Restricted Assets</i> | <u>\$ 4,891</u> | <u>180,776</u> |
| Fixed Asset: | | |
| <i>Construction in Progress</i> | \$ - | - |
| <i>Property, Plant and Equipment</i> | 2,729,925 | 2,673,800 |
| <i>Less Accumulated Depreciation</i> | <u>(2,022,345)</u> | <u>(1,949,817)</u> |
| <i>Total Net Fixed Assets</i> | <u>\$ 707,580</u> | <u>723,983</u> |
| TOTAL ASSETS | <u>\$ 1,181,143</u> | <u>1,359,264</u> |
| <i>Deferred out flow of resources</i> | | |
| <i>Deferred Charges</i> | \$ 17,404 | - |
| <i>Deferred Resource Outflows-Pension</i> | 63,586 | 97,093 |
| <i>Deferred Resource Outflows-OPEB</i> | 3,018 | - |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Accounts Payable and Other Payables</i> | \$ 701 | - |
| <i>Accumulated Compensation Absences</i> | 29,399 | 26,054 |
| <i>Accrued Wages</i> | 10,257 | 12,337 |
| <i>Current Portion of Capital Leases Payable</i> | - | - |
| <i>Current Portion of Note Payable</i> | 21,594 | 14,206 |
| <i>Due to Other Utility Funds</i> | 879,946 | 1,141,964 |
| <i>Total Current Liabilities</i> | <u>\$ 941,897</u> | <u>1,194,560</u> |
| Long-Term Liabilities | | |
| <i>Capital Leases Payable - Net of Current Portion</i> | \$ - | - |
| <i>Pension Liability</i> | 338,855 | 383,413 |
| <i>OPEB Liability</i> | 31,606 | - |
| <i>Notes Payable - Net of Current Portion</i> | 53,192 | 74,944 |
| <i>Total Long-Term Liabilities</i> | <u>\$ 423,652</u> | <u>458,357</u> |
| Other Liabilities | | |
| <i>Customer Deposits</i> | \$ 180,492 | 178,012 |
| <i>Total Other Liabilities</i> | <u>180,492</u> | <u>178,012</u> |
| Total Liabilities | <u>\$ 1,546,042</u> | <u>1,830,930</u> |
| <i>Deferred inflow of resources</i> | | |
| <i>Deferred Fuel Credits</i> | \$ - | 28,916 |
| <i>Deferred inflow of resources-pension</i> | 122,728 | 1,801 |
| <i>Deferred inflow of resources-OPEB</i> | - | - |
| Net Position: | | |
| <i>Invested in Capital Assets</i> | \$ 283,928 | 265,626 |
| <i>Unrestricted</i> | <u>(687,547)</u> | <u>(670,915)</u> |
| <i>Total Net Position</i> | <u>\$ (403,619)</u> | <u>(405,289)</u> |



CITY OF ROBSTOWN UTILITY SYSTEMS
GAS FUND
ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT B-11
Page 1 of 2

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|------------------|
| Operating Revenues: | | |
| <i>Sales and Service</i> | \$ 1,535,151 | 1,435,614 |
| <i>Total Revenue</i> | <u>\$ 1,535,151</u> | <u>1,435,614</u> |
| Cost of Sales: | | |
| <i>Natural Gas</i> | \$ 413,313 | 310,171 |
| <i>Total Cost of Sales</i> | <u>\$ 413,313</u> | <u>310,171</u> |
| Net Sales | <u>\$ 1,121,838</u> | <u>1,125,443</u> |
| Expenses: | | |
| Distribution Expenses | | |
| <i>Distribution Salaries</i> | \$ 390,536 | 368,397 |
| <i>Overtime and Standby Wages</i> | 39,815 | 45,234 |
| <i>Fringe Benefits</i> | 15,886 | 15,393 |
| <i>Social Security</i> | 31,789 | 29,794 |
| <i>Retirement-Pension</i> | 57,426 | 96,206 |
| <i>Retirement-OPEB</i> | 2,165 | - |
| <i>Insurance Benefits</i> | 50,217 | 43,948 |
| <i>Professional Services</i> | - | - |
| <i>Advertising and Public Relations</i> | - | 800 |
| <i>Office Supplies and Expense</i> | 5,356 | 3,442 |
| <i>Contract Services</i> | 3,201 | - |
| <i>Utilities</i> | 8,918 | 9,124 |
| <i>Telephone</i> | 4,897 | 5,227 |
| <i>Fuel and Oil</i> | 14,814 | 13,554 |
| <i>Meals and Traveling</i> | 1,087 | 2,463 |
| <i>Tools and Supplies</i> | 29,670 | 28,453 |
| <i>Dues, Fees, and Subscriptions</i> | 23,576 | 15,278 |
| <i>Computers/Related Expense</i> | 6,049 | 7,136 |
| <i>Vehicle Maintenance</i> | 23,812 | 13,270 |
| <i>Safety Relation-Job Training</i> | 1,398 | 1,436 |
| <i>Other Equip, Structure, and Meter Maint</i> | 44,305 | 40,124 |
| <i>Construction</i> | - | - |
| <i>Construction - Seale Jr. High</i> | - | - |
| <i>Inventory Adjustment</i> | 6,045 | 429 |
| <i>Miscellaneous</i> | 2,012 | 7,419 |
| Total Distribution Expenses | <u>\$ 762,970</u> | <u>747,127</u> |
| General and Administrative Expenses: | | |
| <i>General Operating (Admin.) Expense</i> | \$ 136,687 | 188,555 |
| <i>Insurance</i> | 8,668 | 8,524 |
| <i>Depreciation/Amortization</i> | 72,528 | 77,137 |
| <i>Bad Debts</i> | - | - |
| Total General and Administrative Expenses | <u>\$ 217,883</u> | <u>274,216</u> |
| Total Expenses | <u>\$ 980,853</u> | <u>1,021,343</u> |
| Net Operating (Loss) Profit | <u>\$ 140,985</u> | <u>104,100</u> |

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------------|-----------------------------|
| Non-Operating Revenues and (Expenses) | | |
| <i>Investment Income</i> | \$ 1,958 | 1 |
| <i>Interest (Expense)</i> | (2,471) | (3,503) |
| <i>Other Income (Expenses)</i> | - | - |
| <i>Transfers In (Out)</i> | - | - |
| <i>Free Utility Service to City</i> | (2,505) | (1,593) |
| <i>Total Non-Operating Revenue and (Expenses)</i> | <u>\$ (3,017)</u> | <u>(5,095)</u> |
| <i>Net Income (Loss) for Year</i> | \$ 137,968 | 99,005 |
| <i>Net Position - Beginning</i> | <u>\$ (405,289)</u> | <u>(504,295)</u> |
| <i>Equity Transfers/Prior Period Adjustment</i> | (136,297) | - |
| <i>Net Position - Beginning as Restated</i> | <u>\$ (541,587)</u> | <u>(504,295)</u> |
| <i>Net Position - Ending</i> | <u><u>\$ (403,619)</u></u> | <u><u>(405,290)</u></u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
GAS FUND
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT B-12
Page 1 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|------------------|------------------|--|
| Operating Revenues: | | | | |
| Sales and Service | \$ 1,587,642 | 1,489,334 | 1,535,151 | 45,817 |
| Total Revenue | <u>1,587,642</u> | <u>1,489,334</u> | <u>1,535,151</u> | <u>45,817</u> |
| Cost of Sales: | | | | |
| Natural Gas | 370,000 | 404,632 | 413,313 | (8,681) |
| Total Cost of Sales | <u>370,000</u> | <u>404,632</u> | <u>413,313</u> | <u>(8,681)</u> |
| Net Sales | \$ <u>1,217,642</u> | <u>1,084,702</u> | <u>1,121,838</u> | <u>37,136</u> |
| Expenses: | | | | |
| Distribution Expenses | | | | |
| Distribution Salaries | \$ 394,180 | 392,615 | 390,536 | 2,079 |
| Overtime and Standby Wages | 30,000 | 39,815 | 39,815 | 0 |
| Fringe Benefits | 21,400 | 10,821 | 15,886 | (5,065) |
| Social Security | 32,450 | 31,789 | 31,789 | (0) |
| Retirement-Pension | 56,077 | 57,426 | 57,426 | 0 |
| Retirement-OPEB | - | - | 2,165 | (2,165) |
| Insurance Benefits | 49,500 | 44,630 | 50,217 | (5,587) |
| Professional Services | - | - | - | - |
| Advertising and Public Relations | 4,000 | - | - | - |
| Office Supplies and Expense | 4,000 | 5,356 | 5,356 | (0) |
| Contract Services | 7,000 | 3,201 | 3,201 | 1 |
| Utilities | 6,000 | 8,918 | 8,918 | 0 |
| Telephone | 3,000 | 4,897 | 4,897 | 0 |
| Fuel and Oil | 21,000 | 14,814 | 14,814 | 0 |
| Meals and Traveling | 2,000 | 1,087 | 1,087 | 0 |
| Tools and Supplies | 30,000 | 29,669 | 29,670 | (1) |
| Dues, Fees, and Subscriptions | 15,000 | 23,576 | 23,576 | 0 |
| Computers/Related Expense | 5,000 | 6,049 | 6,049 | 0 |
| Vehicle Maintenance | 15,000 | 23,812 | 23,812 | 0 |
| Safety Relation-Job Training/TNRCC/ ER Prep. | 3,500 | 1,398 | 1,398 | - |
| Other Equip, Structure, and Meter Maint | 62,000 | 44,305 | 44,305 | 0 |
| Construction - Boys & Girls Club | - | - | - | - |
| Construction - Seale Jr. High | - | - | - | - |
| Inventory Adjustment | 2,500 | 2,500 | 6,045 | (3,545) |
| Miscellaneous | 2,000 | 2,012 | 2,012 | 0 |
| Total Distribution Expenses | \$ <u>765,607</u> | <u>748,690</u> | <u>762,970</u> | <u>(14,280)</u> |
| General and Administrative Expenses: | | | | |
| General Operating (Admin.) Expense | \$ 292,103 | 171,134 | 136,687 | 34,447 |
| Insurance | 10,000 | 8,668 | 8,668 | 0 |
| Depreciation/Amortization | - | 128,000 | 72,528 | 55,472 |
| Bad Debts | 750 | 750 | - | 750 |
| Total General and Administrative Expenses | \$ <u>302,853</u> | <u>308,552</u> | <u>217,883</u> | <u>90,669</u> |
| Total Expenses | \$ <u>1,068,460</u> | <u>1,057,242</u> | <u>980,853</u> | <u>76,389</u> |
| Net Operating (Loss) Profit | \$ <u>149,182</u> | <u>27,460</u> | <u>140,985</u> | <u>(113,525)</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS

GAS FUND

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT B-12

Page 2 of 2

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|------------------|---|
| Non-Operating Revenues and (Expenses) | | | | |
| Investment Income | \$ 3,500 | 1,843 | 1,958 | 115 |
| Interest (Expense) | - | - | (2,471) | (2,471) |
| Other Income (Expenses) | (17,105) | (22,683) | - | 22,683 |
| Free Utility Service to City | (2,000) | (2,000) | (2,505) | (505) |
| Total Non-Operating Revenue and (Expenses) | <u>\$ (15,605)</u> | <u>(22,840)</u> | <u>(3,017)</u> | <u>(19,823)</u> |
| Net Income (Loss) for Year | \$ 133,577 | 4,620 | 137,968 | 133,348 |
| Net Position - Beginning | <u>\$ (405,289)</u> | <u>(405,289)</u> | <u>(405,289)</u> | <u>-</u> |
| Equity Transfers/Prior Period Adjustment | - | - | (136,297) | (136,297) |
| Net Position - Beginning as Restated | <u>(405,289)</u> | <u>(405,289)</u> | <u>(541,587)</u> | <u>(136,297)</u> |
| Net Position - Ending | <u>\$ (271,712)</u> | <u>(400,669)</u> | <u>(403,619)</u> | <u>(2,950)</u> |



INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

CITY OF ROBSTOWN UTILITY SYSTEMS
GENERAL OPERATING
INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2018 AND 2017

EXHIBIT C-1

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| <i>Cash and Cash equivalents</i> | \$ 4,856,086 | 3,254,990 |
| <i>Accounts Receivable - Net of Provisions for Doubtful Accounts</i> | 2,657 | 3,600 |
| <i>Materials & Supplies Inventory</i> | - | - |
| <i>Prepaid Expenses</i> | 66,453 | 74,003 |
| <i>Due from Other Utility Funds</i> | 106,950 | 204,919 |
| <i>Total Current Assets</i> | <u>\$ 5,032,146</u> | <u>3,537,513</u> |
| Fixed Asset: | | |
| <i>Land</i> | \$ 20,000 | 20,000 |
| <i>Property, Plant and Equipment</i> | 1,940,834 | 1,676,609 |
| <i>Less Accumulated Depreciation</i> | (1,409,592) | (1,360,300) |
| <i>Total Net Fixed Assets</i> | <u>\$ 551,242</u> | <u>336,310</u> |
| TOTAL ASSETS | <u><u>\$ 5,583,389</u></u> | <u><u>3,873,822</u></u> |
| <i>Deferred out flow of resources</i> | | |
| <i>Deferred Resource Outflows-Pension</i> | \$ 123,775 | 379,544 |
| <i>Deferred Resource Outflows-OPEB</i> | 5,876 | - |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| <i>Accounts Payable</i> | \$ 556,091 | 542,455 |
| <i>Accumulated Compensation Absences</i> | 80,829 | 82,236 |
| <i>Accrued Wages</i> | 53,183 | 46,593 |
| <i>Other Liabilities</i> | 19,905 | 4,114 |
| <i>Current Portion - Note Payable</i> | 19,438 | - |
| <i>Due to Other Utility Funds</i> | 3,941,898 | 2,072,134 |
| <i>Total Current Liabilities</i> | <u>\$ 4,671,343</u> | <u>2,747,531</u> |
| Long-Term Liabilities | | |
| <i>Pension Liability</i> | \$ 659,604 | 1,498,797 |
| <i>OPEB Liability</i> | 61,523 | - |
| <i>Long Term Portion of Note Payable</i> | 81,671 | - |
| <i>Total Long-Term Liabilities</i> | <u>\$ 802,798</u> | <u>1,498,797</u> |
| Total Liabilities | <u>5,474,141</u> | <u>4,246,328</u> |
| <i>Deferred inflow of resources</i> | | |
| <i>Deferred inflow of resources-pension</i> | \$ 238,898 | 7,039 |
| <i>Deferred inflow of resources-OPEB</i> | - | - |
| Net Position: | | |
| <i>Invested in Capital Assets</i> | \$ 551,242 | 336,310 |
| <i>Unrestricted</i> | (551,242) | (336,310) |
| <i>Total Net Position</i> | <u>-</u> | <u>0</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 5,713,039</u></u> | <u><u>4,253,367</u></u> |



CITY OF ROBSTOWN UTILITY SYSTEMS
GENERAL OPERATING
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT C-2
Page 1 of 2

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|------------------|
| Operating Revenues: | | |
| <i>Administrative Charge - Sewer</i> | \$ 205,030 | 188,555 |
| <i>Administrative Charge - Electric</i> | 1,025,152 | 1,508,442 |
| <i>Administrative Charge - Gas</i> | 136,687 | 188,555 |
| <i>Other Revenues</i> | 427,183 | 32,464 |
| <i>Total Revenue</i> | <u>\$ 1,794,052</u> | <u>1,918,016</u> |
| Cost of Administrative Services Provided: | | |
| Administrative Expenses | | |
| <i>Administrative Salaries</i> | \$ 721,198 | 748,423 |
| <i>Overtime and Standby Wages</i> | 9,293 | 21,027 |
| <i>Fringe Benefits</i> | 17,107 | 18,029 |
| <i>Social Security</i> | 50,419 | 55,743 |
| <i>Retirement-Pension</i> | 97,550 | 138,420 |
| <i>Retirement-OPEB</i> | 4,215 | - |
| <i>Insurance Benefits</i> | 60,856 | 70,580 |
| <i>Trustee Fees</i> | 25,860 | 25,830 |
| <i>Travel Allowance</i> | 6,000 | 6,000 |
| <i>Advertising and Public Relations</i> | 33,596 | 17,917 |
| <i>Contract Services/Engineering</i> | 37,443 | 5,348 |
| <i>Bad Debt Collection Fee</i> | - | - |
| <i>Utilities</i> | 47,559 | 42,839 |
| <i>Telephone</i> | 62,018 | 40,675 |
| <i>Fuel and Oil</i> | 5,255 | 11,299 |
| <i>Meals and Traveling</i> | 15,894 | 10,985 |
| <i>Office Supplies and Expense</i> | 36,165 | 34,740 |
| <i>Dues, Fees, and Subscriptions</i> | 117,092 | 114,683 |
| <i>Safety Relation-Job Training</i> | 1,614 | 1,371 |
| <i>Emergency Preparation</i> | 280 | 300 |
| <i>Vehicle Maintenance</i> | 5,182 | 5,455 |
| <i>Postage Expense</i> | 22,217 | 21,614 |
| <i>Computers/Related Expense</i> | 76,324 | 51,918 |
| <i>Structure Repair and Maintenance</i> | 7,492 | 11,221 |
| <i>Equipment Maintenance and Repairs</i> | 5,088 | 5,498 |
| <i>Computer Supplies and Maintenance</i> | 8,134 | 7,902 |
| <i>Employee Relations</i> | 42,947 | 40,484 |
| <i>Miscellaneous</i> | 10,046 | 11,794 |
| <i>Legal Fees</i> | 17,922 | 72,901 |
| <i>Contributions</i> | 5,000 | 4,750 |
| <i>Drug Policy Examinations</i> | 8,152 | 5,889 |
| <i>Auditing - Outside Services</i> | 31,500 | 31,500 |
| <i>Insurance</i> | 26,731 | 92,462 |
| Total Administrative Expenses | <u>\$ 1,616,149</u> | <u>1,727,598</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
GENERAL OPERATING
INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT C-2
Page 2 of 2

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|------------------|
| Mechanic Expenses | | |
| <i>Mechanic Salaries</i> | \$ 106,720 | 103,589 |
| <i>Overtime Wages</i> | 495 | 2,481 |
| <i>Fringe Benefits</i> | 2,615 | 2,613 |
| <i>Social Security</i> | 8,012 | 7,486 |
| <i>Retirement-Pension</i> | 14,174 | 18,170 |
| <i>Retirement-OPEB</i> | - | - |
| <i>Insurance Benefits</i> | 9,395 | 10,970 |
| <i>Fuel and Oil</i> | 2,264 | 2,607 |
| <i>Meals and Travel Expense</i> | - | - |
| <i>Emergency Preparation</i> | - | - |
| <i>Tools and Supplies</i> | 7,367 | 9,507 |
| <i>Telephone</i> | 1,807 | 1,602 |
| <i>Structure & Improvement Maintenance</i> | - | 1,798 |
| <i>Vehicle Maintenance</i> | 5,818 | 6,369 |
| <i>Computers/Related Expenses</i> | 6,724 | 2,015 |
| <i>Miscellaneous</i> | 6,476 | 2,556 |
| <i>Total Mechanic Expenses</i> | <u>\$ 171,868</u> | <u>171,764</u> |
| General Operating Expenses | | |
| Depreciation/Amortization | \$ 49,292 | 33,700 |
| Total General Operating Expenses | <u>\$ 49,292</u> | <u>33,700</u> |
| Total Expenses | <u>\$ 1,837,309</u> | <u>1,933,061</u> |
| Net Operating (Loss) Profit | <u>\$ (43,256)</u> | <u>(15,045)</u> |
| Non-Operating Revenues and (Expenses) | | |
| Investment Income | \$ 44,487 | 15,045 |
| Interest (Expense) | (1,230) | - |
| Other Income (Expense) | - | - |
| Total Non-Operating Revenues and (Expenses) | <u>\$ 43,256</u> | <u>15,045</u> |
| Net Income (Loss) for Year | \$ (0) | - |
| Net Position - Beginning | - | - |
| Equity Transfers/Prior Period Adjustment | - | - |
| Net Position - Beginning as Restated | <u>-</u> | <u>-</u> |
| Net Position - Ending | <u>\$ (0)</u> | <u>-</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
GENERAL OPERATING
INTERNAL SERVICE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT C-3
Page 1 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|------------------|------------------|--|
| Operating Revenues: | | | | |
| <i>Administrative Charge - Sewer</i> | \$ 292,103 | 256,701 | 205,030 | (51,671) |
| <i>Administrative Charge - Electric</i> | 1,363,145 | 1,283,507 | 1,025,152 | (258,355) |
| <i>Administrative Charge - Gas</i> | 292,103 | 171,134 | 136,687 | (34,447) |
| <i>Other Revenue</i> | 16,225 | 159,047 | 410,481 | 251,434 |
| <i>Total Revenue</i> | <u>\$ 1,963,576</u> | <u>1,870,389</u> | <u>1,777,350</u> | <u>(93,039)</u> |
| Cost of Administrative Services Provided: | | | | |
| Administrative Expenses | | | | |
| <i>Administrative Salaries</i> | \$ 720,296 | 722,605 | 721,198 | 1,407 |
| <i>Overtime and Standby Wages</i> | 10,000 | 9,293 | 9,293 | (0) |
| <i>Fringe Benefits</i> | 9,500 | 10,517 | 17,107 | (6,590) |
| <i>Social Security</i> | 55,868 | 50,419 | 50,419 | (0) |
| <i>Retirement-Pension</i> | 96,545 | 97,550 | 97,550 | (0) |
| <i>Retirement-OPEB</i> | - | - | 4,215 | |
| <i>Insurance Benefits</i> | 84,924 | 60,282 | 60,856 | (574) |
| <i>Trustee Fees</i> | 21,000 | 25,860 | 25,860 | - |
| <i>Travel Allowance</i> | 6,000 | 6,000 | 6,000 | - |
| <i>Advertising and Public Relations</i> | 3,500 | 33,596 | 33,596 | (0) |
| <i>Contract Services/Engineering</i> | 95,000 | 37,443 | 37,443 | 0 |
| <i>Bad Debt Collection Fee</i> | 200 | - | - | - |
| <i>Utilities</i> | 40,000 | 46,875 | 47,559 | (684) |
| <i>Telephone</i> | 35,000 | 62,018 | 62,018 | 0 |
| <i>Fuel and Oil</i> | 10,000 | 5,255 | 5,255 | (0) |
| <i>Meals and Traveling</i> | 40,000 | 15,894 | 15,894 | 0 |
| <i>Office Supplies and Expense</i> | 45,000 | 36,164 | 36,165 | (1) |
| <i>Dues, Fees, and Subscriptions</i> | 120,000 | 118,706 | 117,092 | 1,614 |
| <i>Safety Relation-Job Training</i> | - | - | 1,614 | (1,614) |
| <i>Emergency Preparation</i> | - | 280 | 280 | - |
| <i>Vehicle Maintenance</i> | 10,000 | 5,182 | 5,182 | (0) |
| <i>Postage Expense</i> | 27,000 | 22,217 | 22,217 | 0 |
| <i>Computers/Related Expense</i> | 55,000 | 86,610 | 76,324 | 10,286 |
| <i>Structure Repair and Maintenance</i> | 3,000 | 7,492 | 7,492 | (0) |
| <i>Equipment Maintenance and Repairs</i> | 4,000 | 5,088 | 5,088 | (0) |
| <i>Computer Supplies and Maintenance</i> | 40,000 | 8,134 | 8,134 | (0) |
| <i>Employee Relations</i> | 40,000 | 42,947 | 42,947 | - |
| <i>Miscellaneous</i> | 30,600 | 10,046 | 10,046 | (0) |
| <i>Legal Fees</i> | 25,000 | 17,922 | 17,922 | 0 |
| <i>Contributions</i> | 5,000 | 5,000 | 5,000 | - |
| <i>Drug Policy Examinations</i> | 10,000 | 8,152 | 8,152 | - |
| <i>Auditing - Outside Services</i> | 30,000 | 31,500 | 31,500 | - |
| <i>Insurance</i> | 70,000 | 84,205 | 26,731 | 57,474 |
| Total Administrative Expenses | <u>\$ 1,742,433</u> | <u>1,673,252</u> | <u>1,616,149</u> | <u>57,103</u> |

CITY OF ROBSTOWN UTILITY SYSTEMS
GENERAL OPERATING
INTERNAL SERVICE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

EXHIBIT C-3
Page 2 of 2

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|------------------|------------------|--|
| Mechanic Expenses | | | | |
| <i>Mechanic Salaries</i> | 105,706 | 106,720 | 106,720 | (0) |
| <i>Overtime Wages</i> | 1,000 | 495 | 495 | (0) |
| <i>Fringe Benefits</i> | 2,202 | 2,345 | 2,615 | (270) |
| <i>Social Security</i> | 8,163 | 8,012 | 8,012 | (0) |
| <i>Retirement-Pension</i> | 14,107 | 14,174 | 14,174 | (0) |
| <i>Retirement-OPEB</i> | - | - | - | - |
| <i>Insurance Benefits</i> | 12,120 | 9,095 | 9,395 | (300) |
| <i>Fuel and Oil</i> | 5,000 | 2,264 | 2,264 | 0 |
| <i>Meals and Travel Expense</i> | 2,000 | - | - | - |
| <i>Emergency Preparation</i> | 1,000 | - | - | - |
| <i>Tools and Supplies</i> | 18,000 | 7,367 | 7,367 | (0) |
| <i>Telephone/Utilities</i> | 1,550 | 2,491 | 1,807 | 684 |
| <i>Structure & Improvement Maintenance</i> | 3,000 | 1,405 | - | 1,405 |
| <i>Vehicle Maintenance</i> | 10,000 | 10,000 | 5,818 | 4,182 |
| <i>Computers/Related Expenses</i> | 9,000 | 6,724 | 6,724 | (0) |
| <i>Miscellaneous</i> | 3,500 | 3,039 | 6,476 | (3,437) |
| Total Mechanic Expenses | <u>196,348</u> | <u>174,131</u> | <u>171,868</u> | <u>2,263</u> |
| General Operating Expenses | | | | |
| Depreciation/Amortization | - | 39,845 | 49,292 | (9,447) |
| Total General Operating Expenses | <u>-</u> | <u>39,845</u> | <u>49,292</u> | <u>(9,447)</u> |
| Total Expenses | <u>1,938,781</u> | <u>1,887,228</u> | <u>1,837,309</u> | <u>49,919</u> |
| Net Operating (Loss) Profit | <u>24,795</u> | <u>(16,839)</u> | <u>(59,958)</u> | <u>(43,119)</u> |
| Non-Operating Revenues and (Expenses) | | | | |
| Investment Income | 10,000 | 41,189 | 61,189 | 20,000 |
| Interest (Expense) | (2,990) | (24,350) | (1,230) | (23,120) |
| Other Income (Expense) | 9,804 | - | - | - |
| Total Non-Operating Revenues and (Expenses) | <u>16,814</u> | <u>16,839</u> | <u>59,958</u> | <u>43,119</u> |
| Net Income (Loss) for Year | 41,609 | - | (0) | (0) |
| Net Position - Beginning | - | - | - | - |
| <i>Equity Transfers/Prior Period Adjustment</i> | - | - | - | - |
| <i>Net Position - Beginning as Restated</i> | - | - | - | - |
| Net Position - Ending | <u>41,609</u> | <u>-</u> | <u>(0)</u> | <u>0</u> |



TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

CITY OF ROBSTOWN UTILITY SYSTEMS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2018

| | Balance December 31, 2017 | Additions | Deductions | Balance December 31, 2018 |
|---------------------------|---------------------------------|------------------|------------------|---------------------------------|
| GARBAGE - CITY | | | | |
| ASSETS | | | | |
| Cash & Investments | 106 | 1,398,144 | 1,398,144 | 106 |
| Accounts Receivable, Net | 306,525 | 115,645 | 57,234 | 364,936 |
| Due from Other Funds | 134,623 | 130,215 | 134,623 | 130,215 |
| Total Assets | <u>441,254</u> | <u>1,644,004</u> | <u>1,590,001</u> | <u>495,257</u> |
| LIABILITIES | | | | |
| Accrued Sales Tax Payable | 13,809 | 8,813 | 13,809 | 8,813 |
| Due to Other Funds | - | - | - | - |
| Due to Others | 427,445 | 484,643 | 425,644 | 486,444 |
| Total Liabilities | <u>441,254</u> | <u>493,456</u> | <u>439,453</u> | <u>495,257</u> |
| GARBAGE - COUNTY | | | | |
| ASSETS | | | | |
| Cash & Investments | 93 | 129,127 | 129,127 | 93 |
| Accounts Receivable, Net | 28,498 | 15,508 | 5,284 | 38,723 |
| Due from Other Funds | 9,120 | 449 | 9,569 | - |
| Total Assets | <u>37,711</u> | <u>145,084</u> | <u>143,980</u> | <u>38,816</u> |
| LIABILITIES | | | | |
| Accrued Sales Tax Payable | 8,731 | 615 | 8,731 | 615 |
| Due to Other Funds | 624 | 449 | 624 | 449 |
| Due to Others | 28,356 | 37,752 | 28,356 | 37,752 |
| Total Liabilities | <u>37,711</u> | <u>38,816</u> | <u>37,711</u> | <u>38,816</u> |
| TOTAL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash & Investments | 199 | 1,527,271 | 1,527,271 | 199 |
| Accounts Receivable, Net | 335,023 | 131,153 | 62,518 | 403,658 |
| Due from Other Funds | 143,743 | 130,664 | 144,192 | 130,215 |
| Total Assets | <u>478,965</u> | <u>1,789,088</u> | <u>1,733,981</u> | <u>534,073</u> |
| LIABILITIES | | | | |
| Accrued Sales Tax Payable | 22,540 | 9,428 | 22,540 | 9,428 |
| Due to Other Funds | 624 | 449 | 624 | 449 |
| Due to Others | 455,801 | 522,395 | 454,001 | 524,196 |
| Total Liabilities | <u>478,965</u> | <u>532,272</u> | <u>477,165</u> | <u>534,073</u> |

OTHER SUPPLEMENTAL INFORMATION

Other supplemental information regarding the system consists of gas and electric connections along with bond payment schedules, the list of the ten largest customers and various insurance coverage of the City of Robstown Utility Systems.

CITY OF ROBSTOWN UTILITY SYSTEMS
GAS SYSTEM
METERED CUSTOMERS AND NATURAL GAS SOLD
YEAR ENDED DECEMBER 31, 2018 and 2017

Table F-1

At December 31, 2018 and 2017, the System had gas meter connections as follows:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Active | 3,025 | 3,011 |
| Inactive | <u>164</u> | <u>153</u> |
| Total | <u><u>3,189</u></u> | <u><u>3,164</u></u> |
| MCF - Thousand Cubic Feet of gas sold was: | 108,686 | 87,121 |

CITY OF ROBSTOWN UTILITY SYSTEMS
ELECTRIC LIGHT AND POWER COMPANY
METERED CUSTOMERS AND KILOWATT-HOURS SOLD
YEAR ENDED DECEMBER 31, 2018 and 2017

Table F-2

At December 31, 2018 and 2017, the System had lighting and power connections as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Active | 4,509 | 4,506 |
| Inactive | <u>138</u> | <u>143</u> |
| Total | <u><u>4,647</u></u> | <u><u>4,649</u></u> |
| Kilowatt-hours of electricity sold was: | 94,984,517 | 97,115,447 |

CITY OF ROBSTOWN UTILITY SYSTEMS
SEWER SYSTEM
BOND INDEBTNESS AND BOND INTEREST REQUIREMENTS
SEWER SYSTEM REVENUE BONDS - SERIES 2011
DECEMBER 31, 2018

TABLE F-3

| Bonds Due April 1, Year Ending December 31 | Principal Amount | 1-Jun | 1-Dec | Total Annual Requirements | Balance Outstanding End of Year |
|---|---------------------|----------------|----------------|---------------------------------|---------------------------------------|
| 2018 \$ | | | | | 2,295,000 |
| 2019 | 70,000 | 42,509 | 42,509 | 155,018 | 2,225,000 |
| 2020 | 70,000 | 41,739 | 41,739 | 153,478 | 2,155,000 |
| 2021 | 70,000 | 40,899 | 40,899 | 151,798 | 2,085,000 |
| 2022 | 75,000 | 39,971 | 39,971 | 154,942 | 2,010,000 |
| 2023 | 75,000 | 38,902 | 38,902 | 152,804 | 1,935,000 |
| 2024 | 80,000 | 37,759 | 37,759 | 155,518 | 1,855,000 |
| 2025 | 80,000 | 36,479 | 36,479 | 152,958 | 1,775,000 |
| 2026 | 85,000 | 35,159 | 35,159 | 155,318 | 1,690,000 |
| 2027 | 85,000 | 33,714 | 33,714 | 152,428 | 1,605,000 |
| 2028 | 90,000 | 32,226 | 32,226 | 154,452 | 1,515,000 |
| 2029 | 90,000 | 30,606 | 30,606 | 151,212 | 1,425,000 |
| 2030 | 95,000 | 28,964 | 28,964 | 152,928 | 1,330,000 |
| 2031 | 100,000 | 27,182 | 27,182 | 154,364 | 1,230,000 |
| 2032 | 105,000 | 25,258 | 25,258 | 155,516 | 1,125,000 |
| 2033 | 105,000 | 23,210 | 23,210 | 151,420 | 1,020,000 |
| 2034 | 110,000 | 21,162 | 21,162 | 152,324 | 910,000 |
| 2035 | 115,000 | 18,963 | 18,963 | 152,926 | 795,000 |
| 2036 | 120,000 | 16,605 | 16,605 | 153,210 | 675,000 |
| 2037 | 125,000 | 14,115 | 14,115 | 153,230 | 550,000 |
| 2038 | 130,000 | 11,521 | 11,521 | 153,042 | 420,000 |
| 2039 | 135,000 | 8,824 | 8,824 | 152,648 | 285,000 |
| 2040 | 140,000 | 6,023 | 6,023 | 152,046 | 145,000 |
| 2041 | 145,000 | 3,117 | 3,117 | 151,234 | - |
| | <u>2,295,000</u> | <u>614,907</u> | <u>614,907</u> | <u>3,524,814</u> | |

CITY OF ROBSTOWN UTILITY SYSTEMS
SEWER SYSTEM
BOND INDEBTNESS AND BOND INTEREST REQUIREMENTS
SEWER SYSTEM REVENUE BONDS - SERIES 2014--TWDB CWSRF Loan
DECEMBER 31, 2018

TABLE F-4

| Bonds Due Dec 31st & June 30th, Year Ending December 31 | Amount | 30-Jun | 31-Dec | Total Annual Requirements | Balance Outstanding End of Year |
|--|----------------|---------------|---------------|---------------------------------|---------------------------------------|
| 12/31/18 \$ | | | | | 410,000 |
| 12/31/19 | 20,000 | 2,461 | 2,461 | 24,922 | 390,000 |
| 12/31/20 | 20,000 | 2,461 | 2,461 | 24,922 | 370,000 |
| 12/31/21 | 20,000 | 2,461 | 2,461 | 24,922 | 350,000 |
| 12/31/22 | 25,000 | 2,409 | 2,409 | 29,818 | 325,000 |
| 12/31/23 | 25,000 | 2,331 | 2,331 | 29,662 | 300,000 |
| 12/31/24 | 25,000 | 2,231 | 2,231 | 29,462 | 275,000 |
| 12/31/25 | 25,000 | 2,114 | 2,114 | 29,228 | 250,000 |
| 12/31/26 | 25,000 | 1,980 | 1,980 | 28,960 | 225,000 |
| 12/31/27 | 25,000 | 1,830 | 1,830 | 28,660 | 200,000 |
| 12/31/28 | 25,000 | 1,668 | 1,668 | 28,336 | 175,000 |
| 12/31/29 | 25,000 | 1,494 | 1,494 | 27,988 | 150,000 |
| 12/31/30 | 25,000 | 1,309 | 1,309 | 27,618 | 125,000 |
| 12/31/31 | 25,000 | 1,114 | 1,114 | 27,228 | 100,000 |
| 12/31/32 | 25,000 | 909 | 909 | 26,818 | 75,000 |
| 12/31/33 | 25,000 | 694 | 694 | 26,388 | 50,000 |
| 12/31/34 | 25,000 | 470 | 470 | 25,940 | 25,000 |
| 12/31/35 | 25,000 | 239 | 239 | 25,478 | - |
| | <u>410,000</u> | <u>28,175</u> | <u>28,172</u> | <u>466,347</u> | |

CITY OF ROBSTOWN UTILITY SYSTEMS
INSURANCE IN FORCE - ALL FUNDS
YEAR ENDED DECEMBER 31, 2018

| | Policy Number | Coverage | Amount |
|---|---------------|---|---------------|
| POWER PLANT BUILDING AND CONTENTS Texas Municipal League | 9123 | Fire and lightning, extended coverage vandalism and malicious mischief. | \$ 3,583,634 |
| MECHANIC SHOP AND CONTENTS Texas Municipal League | 9123 | Fire and lightning, extended coverage vandalism and malicious mischief. 80% co-insurance. Power Plant Rd. | \$ 185,740 |
| WAREHOUSE AND CONTENTS Texas Municipal League | 9123 | Fire and lightning, extended coverage vandalism and malicious mischief. 80% co-insurance. Power Plant Rd. | \$ 2,363,489 |
| OFFICE BUILDINGS AND CONTENTS Texas Municipal League | 9123 | Fire and lightning, extended coverage vandalism and malicious mischief. 80% co-insurance. 101 E. Main | \$ 993,161 |
| WASTE WATER BUILDING AND IMPROVEMENTS Texas Municipal League | 9123 | Fire and lightning, extended coverage vandalism and malicious mischief. 80% co-insurance. 35000 Highway 44 | \$ 4,382,835 |
| GENERAL LIABILITY Texas Municipal League | 9123 | Commercial General Liability coverage. Comprehensive auto and general liability, vandalism and malicious mischief. 80% co-insurance. | \$ 4,000,000 |
| Swanter and Gordon | -- | Employee Dishonesty | \$ 100,000 |
| Texas Municipal League | 9123 | Errors and Omissions Liability | \$ 2,000,000 |
| SYSTEM-WIDE Victor O. Schionerer | 44158601 | Windstorm and Hail | \$ 11,352,575 |

TABLE F-5

| Period | | Amount |
|-----------|-----------|-----------|
| From | To | |
| 10/1/2018 | 10/1/2019 | \$ 11,594 |
| 10/1/2018 | 10/1/2019 | Included |
| 10/1/2018 | 10/1/2019 | Included |
| 10/1/2018 | 10/1/2019 | Included |
| 10/1/2018 | 10/1/2019 | Included |
| 10/1/2018 | 10/1/2019 | \$ 16,846 |
| 2/1/2018 | 2/1/2019 | \$ 1,347 |
| 10/1/2018 | 10/1/2019 | \$ 10,110 |
| 7/17/2018 | 7/17/2019 | \$ 55,932 |

CITY OF ROBSTOWN UTILITY SYSTEMS
STATISTICAL INFORMATION
LIST OF TEN LARGEST USERS OF UTILITIES - ALPHABETICAL ORDER
YEAR ENDED DECEMBER 31, 2018

TABLE F-6

- 1 HEB Groceries
- 2 Nueces County Library
- 3 Nueces County Water Control #3
- 4 McDonald's Restaurant
- 5 Frontier Southwest Inc.
- 6 Nueces Co. Building
- 7 Whataburger
- 8 Regency Insurance of Robstown
- 9 Robstown Management LLC
- 10 Taqueria Jalisco