



Control Number: 49566



Item Number: 29

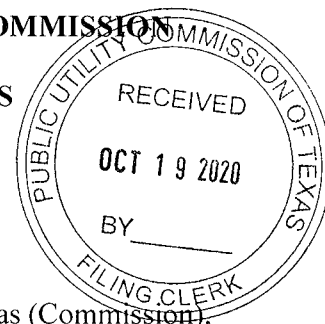
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**DOCKET NO. 49566**

**APPLICATION OF THE CITY OF  
ELMENDORF FOR A SEWER  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY IN BEXAR AND  
WILSON COUNTIES**

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§

**PUBLIC UTILITY COMMISSION  
OF TEXAS**



**COMMISSION STAFF'S FINAL RECOMMENDATION**

**COMES NOW** the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and in response to Order No. 9, files this Final Recommendation. In support thereof, Staff shows the following:

**I. BACKGROUND**

On May 23, 2019, the City of Elmendorf (Elmendorf) filed an application for a sewer certificate of convenience and necessity in Bexar and Wilson Counties. The requested service area consists of 4,192 acres and 82 current connections. Elmendorf filed supplemental information on July 25, 2019, January 23, 2020, March 25, 2020, and May 20, 2020.

On September 2, 2020, the administrative law judge (ALJ) issued Order No. 9, setting a deadline of October 19, 2020, for Staff to file a final recommendation on the application. Therefore, this pleading is timely filed.

**II. FINAL RECOMMENDATION**

As detailed in the attached memorandum of Roshan Pokhrel in the Commission's Infrastructure Division, Staff recommends that Elmendorf's application be approved. Staff's review indicates that Elmendorf meets the applicable technical, managerial, and financial requirements of Chapter 13 of the Texas Water Code and Title 16, Chapter 24 of the Texas Administrative Code, and therefore, Elmendorf is capable of providing continuous and adequate service. Additionally, Staff's review suggests that approval of the application is necessary for the service, accommodation, convenience, and safety of the public.

In accordance with this recommendation, the corresponding maps and certificates consented to by Elmendorf are attached.

### **III. CONCLUSION**

Staff respectfully recommends that the ALJ issue an order approving Elmendorf's application.

Dated: October 19, 2020

Respectfully submitted,

#### **PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION**

Rachelle Nicolette Robles  
Division Director

Rashmin J. Asher  
Managing Attorney

/s/ Kourtnee Jinks  
Kourtnee Jinks  
State Bar No. 24097146  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
(512) 936-7265  
(512) 936-7268 (facsimile)  
kourtnee.jinks@puc.texas.gov

**DOCKET NO. 49566**

#### **CERTIFICATE OF SERVICE**

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on October 19, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Kourtnee Jinks  
Kourtnee Jinks

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Kourtnee Jinks, Attorney  
Legal Division

**FROM:** Roshan Pokhrel, Engineering Specialist  
Infrastructure Division

Fred Bednarski, Financial Analyst  
Rate Regulation Division

**DATE:** October 19, 2020

**RE:** Docket No. 49566 – *Application of the City of Elmendorf for a Sewer Certificate of Convenience and Necessity in Bexar and Wilson Counties*

On May 23, 2019, the City of Elmendorf (Elmendorf) filed an application to obtain a sewer Certificate of Convenience and Necessity (CCN) in Bexar and Wilson Counties, under Texas Water Code (TWC) §§ 13.241 to 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237.

### **Background**

Elmendorf is seeking to obtain a sewer CCN for a service area containing approximately 4,192 acres and 82 existing customers. Most of the requested area lies within the city limits and approximately 287 acres of requested area lies outside the city limits. However, Elmendorf has received requests for service in this area<sup>1</sup>. Currently, most of Elmendorf is served by on-site septic systems and Elmendorf wants to improve the quality of service by developing a centralized system.

### **Notice**

The comment period ended on August 13, 2020, and no protests or opt-out requests were received.

### **Criteria Considered**

TWC §§ 13.241 and 13.246, and 16 TAC § 24.227 require the Commission to consider certain criteria when granting or amending a water or sewer CCN. Therefore, the following criteria were considered:

***TWC § 13.246(c)(1) requires the Commission to consider the adequacy of service currently provided to the requested area.***

Elmendorf is already serving some customers in the requested area. Elmendorf has a water quality discharge permit registered with Texas Commission on Environmental Quality (TCEQ). Elmendorf does not have any violations listed in the TCEQ database.

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<sup>1</sup> City of Elmendorf's Response to Commission Staff's First Request for Information at bates 4 (Sept. 25, 2020).

***TWC § 13.246(c)(2) requires the Commission to consider the need for service in the requested area.***

There is a need for service as there are 82 existing customers and potential new customers in the requested area. Elmendorf has filed documentation in the docket the showing the requests for service.

***TWC §§ 13.241(b) and 13.246(c)(3) requires the Commission to consider the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area.***

Elmendorf will obtain a CCN and will provide continuous and adequate service using centralized sewer system. The landowners will benefit because they will not have to construct individual septic tanks. No effect is expected on other utilities as the requested area is uncertificated.

***TWC § 13.246(c)(4) requires the Commission to consider the ability of the applicant to provide adequate service.***

Elmendorf has an existing water quality discharge permit registered with the TCEQ under WQ 0010749006. This permit was recently transferred from San Antonio River Authority to Elmendorf. Elmendorf does not have any violations listed in the TCEQ database. The permit has enough capacity to serve the current need. Expansion of the system may be required in the future as the development progress.

***TWC § 13.241(d) requires the Applicant to demonstrate to the Commission that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically separate water or sewer system is required to provide service to the requested area.***

There are no other sewer service providers in the adjacent area that can serve the requested area.

***TWC § 13.246(c)(5) requires the Commission to consider the feasibility of obtaining service from an adjacent retail public utility.***

There are no other sewer service providers in the adjacent area that can serve the requested area.

***TWC § 13.246(c)(6) requires the Commission to consider the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service.***

The provisions of 16 TAC § 24.11 establishes the criteria to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service area. The financial tests include a leverage test and operations test. The Commission rules identify five leverage tests.<sup>2</sup> The Purchaser must demonstrate that it meets one of the five tests.<sup>3</sup>

The following shows that Elmendorf meets one out of five leverage tests. This analysis is based on financial statements ending September 30, 2019. These financial statements contained an unqualified auditor's opinion from Beyer & Co. CPA which stated that the that the financial statements present fairly, in all material respects, the financial position of Elmendorf as of September 30, 2019. The audit and the related opinion indicate the transparency of the Applicant and indicate sound management capabilities.

Elmendorf meets the first test under 16 TAC § 24.11(e)(2)(A), which requires that the owner or operator must have a debt to equity ratio of less than one, using long term debt and equity or net

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<sup>2</sup> See 16 TAC § 24.11(e)(2).

<sup>3</sup> *Id.*

assets. Elmendorf's debt to equity ratio calculated as follows: long term debt of \$2,708,240<sup>4</sup> divided by net position of \$3,583,940<sup>5</sup> equals 0.760 which is less than one. The debt to equity ratio indicates the ability to leverage debt in order to install additional infrastructure. A debt to equity ratio of less than one is an indicator of financial stability and financial and managerial capability.

The provisions of 16 TAC § 24.11(e)(3) refers to the operations test which requires that the owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. Elmendorf submitted 2019-2020 budgets<sup>6</sup> and 2020-2021 budgets<sup>7</sup> which show there are no shortages to cover. Elmendorf additionally provided their sewer capital improvement plan and impact fee summary<sup>8</sup> indicating future sewer system improvements necessary to provide continuous and adequate service to the requested area will be paid for by developers and impact fees. Finally, Elmendorf has taxing authority and the ability to issue bonds to help pay for future improvements. Therefore, Elmendorf meets the operations test.

***TWC § 13.246(d) allows the Commission to require an applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided.***

Because Elmendorf meets the financial test, Mr. Bednarski does not recommend that Elmendorf be required to provide a bond or other financial assurance to ensure continuous and adequate service.

***TWC §§ 13.246(c)(7) and (9) require the Commission to consider the environmental integrity and the effect on the land to be included in the certificate.***

There will be positive environmental impact as sewer service through a centralized wastewater collection system will eliminate the need for individual septic systems on each property. Groundwater and wells will be protected from being contaminated.

***TWC § 13.246(c)(8) requires the Commission to consider the probable improvement in service or lowering of cost to consumers.***

The service will be better with the use of a centralized wastewater collection system and elimination of separate septic systems.

Elmendorf consented to the attached map and certificate on September 28, 2020.

### **Recommendation**

Based on the above information, Staff recommends that:

- Elmendorf substantially meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations and is capable of providing continuous and adequate service. Staff also recommends that approving this application to obtain sewer CCN No. 21121 is necessary for the service, accommodation, convenience and safety of the public; and

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<sup>4</sup> Attachment FB-1 at page 21 of 82.

<sup>5</sup> *Id.*

<sup>6</sup> Attachment FB-2 at page 9 of 10.

<sup>7</sup> Attachment FB-3 at page 7 of 7.

<sup>8</sup> City of Elmendorf's Response to Order No. 7 at bates 2-22 (May 20,2020).

- The Commission issue an order approving the application and the attached map and certificate to Elmendorf. Staff further recommends that Elmendorf file certified copies of their CCN maps along with a written description of the CCNs service area in the county clerk's office under TWC §§ 13.257 (r)-(s).

CITY OF ELMENDORF, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

SEPTEMBER 30, 2019



CITY OF ELMENDORF, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

SEPTEMBER 30, 2019

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

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P.O. Box 366 / 442 West Oaklawn  
Pleasanton, Texas 78064  
Phone: (830) 569-8781 ~ Fax: (830) 569-6776  
E-mail: [beyeraandco@sbcglobal.net](mailto:beyeraandco@sbcglobal.net)

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111 North Odem  
Sinton, Texas 78387

***Please reply to Pleasanton address***

To the Mayor and City Council  
City of Elmendorf, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Elmendorf, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elmendorf, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elmendorf, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Segregation of Duties – Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

Cash – We noted miscellaneous monies are not being deposited in a timely manner. For example, monies receipted on July 23, 2019 were not deposited until August 16, 2019 and monies receipted on May 24, 2019 were not deposited until July 9, 2019. We suggest all monies be deposited at least weekly

Cash – We noted that bank reconciliations have outstanding checks dating back to 2005. We recommend the City research the matter to determine ownership, and remit the monies to the respective owner(s), escheat them to the state, or remit them to the general fund.

This communication is intended solely for the information and use of management, City Council, and others within the City of Elmhurst, Texas', and is not intended to be and should not be used by anyone other than these specified parties.

*Wayne R. Beyer*

BEYER & COMPANY  
Certified Public Accountants  
February 13, 2020

CITY OF ELMENDORF, TEXAS  
Annual Financial Report  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

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P.O. Box 366 / 442 West Oaklawn  
Pleasanton, Texas 78064  
Phone: (830) 569-8781 ~ Fax: (830) 569-6776  
E-mail: [beyerandco@sbcglobal.net](mailto:beyerandco@sbcglobal.net)

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111 North Odem  
Sinton, Texas 78387

***Please reply to Pleasanton address***

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Elmendorf, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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



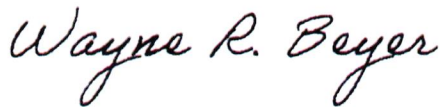
## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas, as of September 30, 2019, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Butterfield PID Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Employee Retirement System Information, and the OPEB system information on pages 3-12, 70-72, and 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



BEYER & COMPANY  
Certified Public Accountants  
February 13, 2020

## Management's Discussion and Analysis

As management of the City of Elmendorf, Texas, we offer readers of the City of Elmendorf, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Elmendorf, Texas for the fiscal year ended September 30, 2019.

### Financial Highlights

- . The assets of the City of Elmendorf, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$3,583,940 (net position). Of this amount, \$1,863,828 or 52% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$675,552. This increase is mainly attributable to an increase in careful budget management.
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$837,981 or 55 percent of total general fund expenditures.
- . The City of Elmendorf, Texas' restricted net position at September 30, 2019 was \$1,006,763.
- . The City of Elmendorf, Texas' total debt increased by \$540,287 (24%) during the current fiscal year. The key factor in this increase was the issuance of bonds of \$547,851.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Elmendorf, Texas' basic financial statements. The City of Elmendorf, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Elmendorf, Texas' finances, in a manner like a private-sector business.

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



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

Both of the government-wide financial statements distinguish functions of the City of Elmendorf, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Elmendorf, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Elmendorf, Texas include a Water, Sewer System, and Garbage.

The government-wide financial statements include only the City of Elmendorf, Texas itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 13-14 for this report.

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

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

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

The City of Elmendorf, Texas maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Butterfield PID fund, and the Economic Development Corporation fund. The City of Elmendorf, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and the Butterfield PID fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

**Proprietary funds:** The City of Elmendorf, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Elmendorf, Texas uses enterprise funds to account for its Water, Sewer System, and Garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water, Sewer System, and Garbage operations, which is a major fund of the City of Elmendorf, Texas. The basic proprietary fund financial statements can be found on pages 21-25 of this report.

**Notes to the financial statements:** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-69 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Elmendorf, Texas' progress in funding its obligation to provide pension benefits to its employees. The required supplementary information can be found on pages 70-72 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Elmendorf, Texas, assets exceeded liabilities by \$3,583,940 at the close of the most recent fiscal year.

A portion of the City of Elmendorf, Texas' net position (20 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Elmendorf, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Elmendorf, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ELMENDORF, TEXAS  
NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$1,520,882	\$1,392,274	\$826,378	\$661,490	\$2,347,260	\$2,053,764
Restricted Assets:	777,498	459,981	229,265	435,950	1,006,763	895,931
Capital Assets:	1,953,032	1,941,932	1,235,850	712,060	3,188,882	2,653,992
Total Assets	4,251,412	3,794,187	2,291,493	1,809,500	6,542,905	5,603,687
Total Deferred Outflows of Resources	40,778	22,354	22,356	14,233	63,134	36,587
Long-Term Liabilities	1,314,486	1,325,269	1,465,452	914,382	2,779,938	2,239,651
Other Liabilities (Payable from Restricted Assets)	0	0	1,300	1,300	1,300	1,300
Other Liabilities	103,141	273,985	136,343	207,475	239,484	481,460
Total Liabilities	1,417,627	1,599,254	1,603,095	1,123,157	3,020,722	2,722,411
Total Deferred Inflows of Resources	889	5,789	488	3,686	1,377	9,475
Invested in Capital Assets, Net of Related Debt	692,040	646,161	21,309	246,859	713,349	893,020
Restricted	777,498	407,538	229,265	436,250	1,006,763	843,788
Unrestricted	1,404,136	1,157,799	459,692	13,781	1,863,828	1,171,580
Total Net Position	\$2,873,674	\$2,211,498	\$710,266	\$696,890	\$3,583,940	\$2,908,388

An additional portion of the City of Elmendorf, Texas' net position (28 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,863,828) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Elmendorf, Texas can report positive balances in three categories of net position, for the government, as well as for the separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's total net position increased by \$675,552. This increase is mainly attributable to an increase in careful budget management.

**Governmental activities:** Governmental activities increased the City of Elmendorf, Texas' net position by \$662,176 which accounted for 98 percent of the total growth in the net position of the City of Elmendorf, Texas. Key elements of this increase are as follows: This increase is mainly attributable to careful budget management.

**CITY OF ELMENDORF, TEXAS  
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$472,220	\$486,985	\$1,445,978	\$1,429,303	\$1,918,198	\$1,916,288
Operating Grants and Contributions	36,359	119,555			36,359	119,555
General Revenues:						
Maintenance and Operations Taxes	588,922	479,098			588,922	479,098
Sales Taxes	913,305	1,191,933			913,305	1,191,933
Franchise Taxes	81,367	98,741			81,367	98,741
Unrestricted Investment Earnings	13,859	3,802	13,044	3,412	26,903	7,214
Miscellaneous	54,539	49,701			54,539	49,701
Total Revenue	2,160,571	2,429,815	1,459,022	1,432,715	3,619,593	3,862,530
Expenses						
General Administration	688,431	1,100,440			688,431	1,100,440
Public Safety	698,488	538,918			698,488	538,918
Public Facilities	60,121	43,799			60,121	43,799
Public Transportation	96,023	84,342			96,023	84,342
Culture and Recreation	1,178	5,969			1,178	5,969
Interest and Fiscal Charges	43,487	43,829			43,487	43,829
Utility			1,356,313	1,259,874	1,356,313	1,259,874
Total Expenses	1,587,728	1,817,297	1,356,313	1,259,874	2,944,041	3,077,171
Increase in Net Position Before Transfers and Special Items	572,843	612,518	102,709	172,841	675,552	785,359
Transfers	89,333	87,880	(89,333)	(87,880)	0	0
Increase in Net Position	662,176	700,398	13,376	84,961	675,552	785,359
Net Position at 09/30/2018	2,211,498	1,511,100	696,890	611,929	2,908,388	2,123,029
Net Position at 09/30/2019	\$2,873,674	\$2,211,498	\$710,266	\$696,890	\$3,583,940	\$2,908,388

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
Government Activities:			
General Administration	\$688,431	\$17,451	\$36,359
Public Safety	698,488	454,769	
Public Facilities	60,121		
Public Transportation	96,023		
Culture and Recreation	1,178		
Interest and Fiscal Charges	43,487		
Total Government Activities	\$1,587,728	\$472,220	\$36,359

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$472,220	22%
Operating Grants and Contributions	36,359	2%
Maintenance and Operations Taxes	588,922	27%
Sales Taxes	913,305	41%
Franchise Taxes	81,367	4%
Unrestricted Investment Earnings	13,859	1%
Miscellaneous	54,539	3%
	<u>\$2,160,571</u>	<u>100%</u>

For the most part, increases and decreases in expenses closely paralleled inflation and growth/decline in the demand for services.

**Business-type activities:** Business-type activities increased the City of Elmendorf, Texas' net position by \$13,376, accounting for 2 percent of the total growth in the government's net position. Key elements of this increase are as follows: Careful budget management.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary government</b>			
Business-Type Activities:			
Utility	\$1,356,313	\$1,445,978	\$0
Total Business-Type Activities	<u>\$1,356,313</u>	<u>\$1,445,978</u>	<u>\$0</u>

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$1,445,978	99%
Unrestricted Investment Earnings	13,044	1%
	<u>\$1,459,022</u>	<u>100%</u>

### Financial Analysis of the Government's Funds

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

**Governmental fund:** The focus of the City of Elmendorf, Texas' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Elmendorf, Texas' financing requirements. Uncommitted *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Elmendorf, Texas' governmental funds reported combined ending fund balances of \$1,615,479, an increase of \$555,436 in comparison with the prior year. Approximately 52% of this total amount \$837,981 constitutes *uncommitted, undesignated fund balance*, which is available for spending at the government's discretion. There is no fund balance that is *reserved or designated*.

The general fund is the chief operating fund of the City of Elmendorf, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$837,981 while total fund balance reached \$1,104,331. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55 percent of total general fund expenditures, while total fund balance represents 72 percent of that same amount.

The fund balance of the City of Elmendorf, Texas' general fund increased by \$336,581 during the current fiscal year. Key factor in this increase is as follows: This increase is mainly attributable to careful budget management.

There is no analysis for the Butterfield PID fund because it is used to pay back to the developer for infrastructure expenses from assessments on the property.

At the end of the current fiscal year, restricted fund balance of the economic development fund was \$511,048 while total fund balance reached \$511,048. As a measure of the economic development fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 596 percent of total economic development fund expenditures. The fund balance of the City of Elmendorf, Texas' economic development fund increased by \$218,855 during the current fiscal year. Key factor in this increase is as follows: Careful budget management.

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$459,692. The total increase in net position for the Utility fund was \$13,376. Key factors in this overall increase are as follows:

1. This increase is mainly attributable to careful budget management.

#### **General Fund Budgetary Highlights**

During the year there was no increase between the original and final amended budget for the general fund.

## Capital Asset and Debt Administration

**Capital assets:** The City of Elmendorf, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$3,188,882 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Elmendorf, Texas' investment in capital assets for the current fiscal year was 20 percent (a 1 percent increase for governmental activities and a 74 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following: The government had a Water Supply Project during the 2018-2019 year. The project is ongoing into the 2019-2020 year.

### CITY OF ELMENDORF, TEXAS CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$133,990	\$133,990	\$30	\$30	\$134,020	\$134,020
Construction in Progress	18,773	0	1,079,720	521,644	1,098,493	521,644
Building and Improvements	1,510,274	1,531,566	58,056	59,797	1,568,330	1,591,363
Machinery and Equipment	119,198	100,898	98,044	130,589	217,242	231,487
Intangible	0	0			0	0
Infrastructure	170,797	175,478			170,797	175,478
Distribution System					0	0
Total	\$1,953,032	\$1,941,932	\$1,235,850	\$712,060	\$3,188,882	\$2,653,992

Additional information of the City of Elmendorf, Texas' capital assets can be found in note IV.C on pages 39-40 of this report.

### Long-term debt:

At the end of the current fiscal year, the City of Elmendorf, Texas had the following bonded debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,180,000	\$0	\$18,000	\$1,162,000	\$19,000	\$1,143,000
<u>Business-Type activities:</u>						
Bonds Payable	894,880	\$47,851		1,442,731		1,442,731
Grand Total	\$2,074,880	\$47,851	\$18,000	\$2,604,731	\$19,000	\$2,585,731



The City had an increase in bonded debt of \$529,851 or 26%. The increase is a result of the issuance of Combination Tax and Lien Bonds, Series 2018 of \$547,851. The terms of the arrangement were that proceeds would be provided as construction progressed on the Utility Water project. \$1,442,731 has been issued as of September 30, 2019.

Additional information on the City of Elmendorf, Texas' long-term debt can be found in note IV.F on page 41-42 of this report.

### **Economic Factors:**

As reported last year the City is in the process of building water facilities including 4 wells, treatment plant, ground storage tanks, associated water line extensions, water meter conversion to radio read and an elevated water storage tank. Funding was secured in 2018 for the total project cost of 10.7 million. Construction will occur in several phases over the next 2 years. This project helped spur a new fire station in the city being built by Bexar ESD10. Construction set to be this summer.

The City, as well as the Elmendorf EDC, also experienced a large increase in sales tax proceeds over the course of the year. This is primarily driven by Halliburton as their sales increased significantly beyond expectations. Cudd Energy has also completed purchase of approximately 40 acres on the east side of town where they are beginning the process of building a multi-million-dollar facility to serve as its regional hub for south Texas in the City of Elmendorf.

The City also experienced growth in the residential sector during 2018. Unit 2a of the Homewood Place subdivision was purchased by Rausch Coleman Homes. Most of the lots were built and sold within 6 months of acquisition. This amounted to increases seen in permitting fees as well as increased revenues in the water utility for new meter sets which brought in approximately \$56,000.00 in new income during 2018. Further, DR Horton has recently announced acquisition in Elmendorf of a 3500-lot master planned community slated to begin this spring.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Elmendorf, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Department, P.O. Box 247, Elmendorf, Texas 78112.

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ELMENDORF TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$927,572	\$672,280	\$1,599,852
Receivables (Net of Allowance for Uncollectibles)	593,310	154,098	747,408
Restricted Assets			
Cash and Cash Equivalents	759,298	229,265	988,563
Receivables (Net of Allowance for Uncollectibles)	18,200	0	18,200
Capital Assets Not Being Depreciated			
Land	152,763	30	152,793
Construction in Progress	0	1,079,720	1,079,720
Total Capital Assets Being Depreciated Net			
Building and Improvements	1,510,274	58,056	1,568,330
Machinery and Equipment	119,198	98,044	217,242
Intangible	0		0
Infrastructure	170,797		170,797
Total Assets	<u>\$4,251,412</u>	<u>\$2,291,493</u>	<u>\$6,542,905</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>GASB 68</b>			
Deferred Outflow of Resources-Contributions (after 12/31/18)	27,630	15,147	42,777
Difference in expected and actual experience	2,110	1,157	3,267
Difference in proj. and actual earnings on pension plan invest	11,038	6,052	17,090
Total Deferred Outflows of Resources	<u>40,778</u>	<u>22,356</u>	<u>63,134</u>
<b>LIABILITIES</b>			
Accounts Payable	\$68,748	\$90,626	\$159,374
Accrued Wages	19,333	8,121	27,454
Park Deposits	8,470		8,470
Accrued Interest	6,590	37,596	44,186
Consumer Meter Deposit		1,300	1,300
Noncurrent Liabilities			
Due Within One Year	64,367	7,331	71,698
Due in More Than One Year	1,250,119	1,458,121	2,708,240
Total Liabilities	<u>1,417,627</u>	<u>1,603,095</u>	<u>3,020,722</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>GASB 75</b>			
Difference in expected and actual experience	86	47	133
Change in assumptions	803	441	1,244
Total Deferred Inflows of Resources	<u>889</u>	<u>488</u>	<u>1,377</u>
<b>NET POSITION</b>			
Invested in Capital Assets Net of Related Debt	692,040	21,309	713,349
Restricted			
Butterfield Ranch PID	100	915	1,015
Debt Service	108,829	160	108,989
Economic Development	511,048		511,048
Infrastructure	145,796	228,190	373,986
PEG Fund	11,725		11,725
Unrestricted	1,404,136	459,692	1,863,828
Total Net Position	<u>\$2,873,674</u>	<u>\$710,266</u>	<u>\$3,583,940</u>

The accompanying notes are an integral part of this statement

CITY OF ELMENDORF TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary Government</b>						
Government Activities						
General Administration	\$688,431	\$17,451	\$36,359	(\$634,621)		(\$634,621)
Public Safety	698,488	454,769		(243,719)		(243,719)
Public Facilities	60,121			(60,121)		(60,121)
Public Transportation	96,023			(96,023)		(96,023)
Culture and Recreation	1,178			(1,178)		(1,178)
Interest and Fiscal Charges	43,487			(43,487)		(43,487)
Total Government Activities	<u>1,587,728</u>	<u>472,220</u>	<u>36,359</u>	<u>(1,079,149)</u>	<u>0</u>	<u>(1,079,149)</u>
Business-Type Activities						
Utility (Water, Garbage, and Sewer)	<u>1,356,313</u>	<u>1,445,978</u>			<u>89,665</u>	<u>89,665</u>
Total Business-Type Activities	<u>1,356,313</u>	<u>1,445,978</u>	<u>0</u>	<u>0</u>	<u>89,665</u>	<u>89,665</u>
Total Primary Government	<u>\$2,944,041</u>	<u>\$1,918,198</u>	<u>\$36,359</u>	<u>(1,079,149)</u>	<u>89,665</u>	<u>(989,484)</u>
General Revenues						
Property Taxes, Levies for General Purposes				588,922		588,922
Sales Taxes				913,305		913,305
Franchise Taxes				81,367		81,367
Unrestricted Investment Earnings				13,859	13,044	26,903
Miscellaneous				54,539		54,539
Transfers				89,333	(89,333)	0
Total General Revenues and Transfers				<u>1,741,325</u>	<u>(76,289)</u>	<u>1,665,036</u>
Change in Net Position				662,176	13,376	675,552
Net Position - Beginning				<u>2,211,498</u>	<u>696,890</u>	<u>2,908,388</u>
Net Position - Ending				<u>\$2,873,674</u>	<u>\$710,266</u>	<u>\$3,583,940</u>

The accompanying notes are an integral part of this statement