
NOTE 9: RETIREE HEALTH BENEFIT PLAN (OPEB) - (Continued)**Total OPEB Liability - (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 5.00%, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1.0% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1.0% Increase in Discount Rate (6.00%)
City's Total OPEB Liability:	\$353,307	\$390,842	\$434,724

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Total OPEB Liability of the City, calculated using the trend rate of 4.06%, 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 (5.06%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Trend Rate (3.06%)	Trend Rate (4.06%)	1.0% Increase in Trend Rate (5.06%)
City's Total OPEB Liability:	\$359,684	\$390,842	\$425,286

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$29,967.

At September 30, 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 experience	\$ -	\$ -
Changes in actuarial assumptions	-	-
Differences between projected and actual investments	-	-
Total	\$ -	\$ -

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	-
Total	\$ -

NOTE 10: LONG-TERM DEBT**A. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 8,794,235	\$ -	\$ (601,470)	\$ 8,192,765	\$ 484,990
General obligation bonds	4,887,052	-	-	4,887,052	205,810
Total bonds and certificates payable	13,681,287	-	(601,470)	13,079,817	690,800
Bond premium	774,293	-	(61,511)	712,782	-
Compensated absences	427,756	341,230	(327,880)	441,106	110,277
OPEB liability	590,668	51,501	-	642,169	-
Net pension liability	4,271,555	-	(1,504,534)	2,767,021	-
Total governmental activity long-term liabilities	<u>\$ 19,745,559</u>	<u>\$ 392,731</u>	<u>\$ (2,495,395)</u>	<u>\$ 17,642,895</u>	<u>\$ 801,077</u>
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 8,850,765	\$ -	\$ (243,530)	\$ 8,607,235	\$ 255,010
General obligation bonds	1,762,948	-	(120,000)	1,642,948	69,190
Total bonds and certificates payable	10,613,713	-	(363,530)	10,250,183	324,200
Bond premium	468,308	-	(32,261)	436,047	-
State infrastructure note	3,014,787	-	(155,560)	2,859,227	159,449
Capital leases payable	219,939	121,741	(237,330)	104,350	17,392
Compensated absences	54,994	72,368	(68,919)	58,443	58,443
OPEB liability	65,599	10,773	-	76,372	-
Net pension liability	1,001,969	-	(352,915)	649,054	-
Total business-type activity long-term liabilities	<u>\$ 15,439,309</u>	<u>\$ 204,882</u>	<u>\$ (1,210,515)</u>	<u>\$ 14,433,676</u>	<u>\$ 559,484</u>

NOTE 10: LONG-TERM DEBT - (Continued)**B. Bonds and Certificates Payable - Governmental Activities**

Bonds and certificates payable of the City's governmental activities at September 30, 2018, were comprised of the following individual issues:

2006 Combination Certificates of Obligation due in annual installments ranging from \$30,000 to \$45,000 through August 1, 2021; interest rate at 4.10%.	\$	135,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$167,436 to \$260,456 through August 1, 2021; interest rate at 4.12%.		744,000
2015 Combination Certificates of Obligation due in annual installments ranging from \$184,400 to \$596,995 through August 1, 2035; interest rate at 3.39%.		7,313,765
2016 General Obligation Refunding Bonds due in annual installments ranging from \$205,700 to \$680,680 through August 1, 2028; interest rate at 3.6%.		<u>4,887,052</u>
	\$	<u>13,079,817</u>

Annual debt service requirements to maturity for the City's governmental activity bonds and certificates are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 690,800	\$ 483,834	\$ 1,174,634
2020	727,162	451,268	1,178,430
2021	745,722	418,058	1,163,780
2022	903,038	382,584	1,285,622
2023	947,672	348,209	1,295,881
2024-2028	5,271,393	1,220,225	6,491,618
2029-2033	2,620,785	463,472	3,084,257
2034-2035	<u>1,173,245</u>	<u>61,238</u>	<u>1,234,483</u>
	<u>\$ 13,079,817</u>	<u>\$ 3,828,888</u>	<u>\$ 16,908,705</u>

The City is scheduled to receive annual installments ranging from \$48,093 to \$65,676 from LEDC and annual installments ranging from \$170,304 to \$290,798 from Wastewater Utility Fund for the 2015 Combination Certificates of Obligation through August 1, 2035.

NOTE 10: LONG-TERM DEBT - (Continued)**C. Bonds and Certificates Payable - Business-type Activities**

Bonds and certificates payable of the City's business-type activities at September 30, 2018, were comprised of the following individual issues:

2006-A Combination Certificates of Obligation due in annual installments ranging from \$16,403 to \$19,544 through August 1, 2012; interest rate at 4.12%.	\$ 56,000
2015 Combination Certificates of Obligation due in annual installments ranging from \$215,600 to \$698,005 through August 1, 2035; interest rate at 3.39%.	8,551,235
2016 General Obligation Refunding Bonds due in annual installments of \$69,300 to \$229,320 through February 1, 2028; interest rate at 3.60%.	<u>1,642,948</u>
	<u>\$ 10,250,183</u>

The annual debt service requirements to maturity for the above-listed obligations of the City's business-type activities are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 324,200	\$ 351,136	\$ 675,336
2020	337,838	342,891	680,729
2021	344,278	334,590	678,868
2022	606,962	324,041	931,003
2023	637,328	297,316	934,644
2024-2028	3,563,607	1,110,513	4,674,120
2029-2033	3,064,215	541,890	3,606,105
2034-2035	<u>1,371,755</u>	<u>71,599</u>	<u>1,443,354</u>
	<u>\$ 10,250,183</u>	<u>\$ 3,373,976</u>	<u>\$ 13,624,159</u>

NOTE 10: LONG-TERM DEBT - (Continued)**D. State Infrastructure Notes - Business-type Activities**

2013 State Infrastructure Bank Loan is due in annual installments of \$230,000 through June 2033, interest rate of 2.5%.

Annual debt service requirements to maturity for the City's business-type activity State Infrastructure Notes are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 159,449	\$ 71,481	\$ 230,930
2020	163,435	67,495	230,930
2021	167,521	63,409	230,930
2022	171,709	59,221	230,930
2023	176,002	54,928	230,930
2024-2028	948,252	206,398	1,154,650
2029-2033	1,072,859	81,788	1,154,647
	<u>\$ 2,859,227</u>	<u>\$ 604,720</u>	<u>\$ 3,463,947</u>

E. Capital Lease - Business-type Activities

The City has entered into a lease agreement to purchase EMS and physio equipment from Stryker Sales Corporation. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The assets acquired through the capital lease are as follows:

	<u>Business-type Activities</u>
Machinery and equipment	<u>\$ 121,741</u>
	121,741
Less: Accumulated depreciation	<u>(11,594)</u>
	<u>\$ 110,147</u>

NOTE 10: LONG-TERM DEBT - (Continued)**E. Capital Lease - Business-type Activities - (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, are as follows:

<u>Year Ending September 30</u>	<u>Business-type Activities</u>
2019	\$ 17,392
2020	17,392
2021	17,392
2022	17,392
2023	17,391
Thereafter	<u>17,391</u>
Total minimum lease payments	104,350
Less: Amount representing interest	-
Present value of minimum lease payments	<u>\$ 104,350</u>

F. Debt Reserves

There are certain reserve requirements for the various debt issues that are currently outstanding. The following are the reserve requirements by issue:

	<u>Reserve Requirement</u>
2006 Combination Certificates of Obligation	\$ 3,500
2006A Combination Certificates of Obligation	20,900
2015 Combination Certificates of Obligation	325,700
2016 General Obligation Refunding Bonds	<u>130,600</u>
	<u>\$ 480,700</u>

The cash balances reserved for the reserve requirements are as follows:

<u>Fund</u>	<u>Cash</u>
Debt Service I & S Fund	\$ 240,674
Water Utility Fund	<u>240,026</u>
	<u>\$ 480,700</u>

NOTE 11: CONDUIT DEBT OBLIGATIONS**Lockhart-Luling Water Delivery System**

The Guadalupe-Blanco River Authority (GBRA) contracted with the City in 2002 to provide a reliable quantity of treated water through the Luling Water Treatment Plant. For the mutual benefit of the parties, GBRA, the City of Luling, and the City of Lockhart entered into an agreement that enabled GBRA to pump treated water from the Luling Water Treatment Plant to the Lockhart Treatment Plant ground storage reservoir through the water delivery system.

GBRA issued \$4,950,000 in Contract Revenue Refunding Bonds in fiscal year 2014 for the water delivery system. As of September 30, 2018, there was \$3,955,000 bonds outstanding. Through the agreement, the City has agreed to pay GBRA on an annual basis for twenty-five years the following:

(a.) principal and interest on any bonds issued to pay off the financing, refinancing, design, permitting, construction, and equipping the project; (b.) operation and maintenance of the water delivery system; (c.) operation and maintenance of the Luling Water Treatment Plant; (d.) reserve and contingency fund payments, if any; and (e.) capital recovery charges.

Lockhart Wastewater Treatment Plant

GBRA entered into a contract on June 15, 1994 with the City whereby GBRA would construct a Regional Wastewater Treatment System to receive, treat and dispose of wastewater collected by the City's collection system.

GBRA issued \$4,025,000 of Contract Revenue Refunding Bonds in the fiscal year 2010 for the treatment system. As of September 30, 2018 there were no refunding bonds outstanding. Under the provisions of the contract, the City has agreed to pay GBRA through 2018 the following:

(a.) all operation and maintenance expenses of the Regional Wastewater Treatment System; (b.) amounts necessary to pay debt service on the bonds; (c.) amounts necessary to establish and maintain funds established by the resolution authorizing the issuance of the bonds; and (d.) amounts necessary to restore any deficiency in funds established by the resolution.

NOTE 12: CONTRACTUAL SETTLEMENT

The City reached a settlement agreement with a vendor during the 2006 fiscal year in a dispute over the performance of equipment used in its utility system infrastructure. Under the settlement agreement, the vendor agreed to pay the City a total of \$3,210,173 in multiple installments extending through the year 2018. As of September 30, 2018, the City had received \$3,210,173 in scheduled installment payments and therefore the receivable is \$0 at September 30, 2018.

NOTE 13: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2018, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 14: RELATED PARTY TRANSACTIONS

During the fiscal year ending September 30, 2018, LEDC (a discretely presented component unit of the City) transferred a total of \$88,321 to the City. The City's Debt Service Fund, a nonmajor governmental fund, received \$48,093 to be used to pay debt service costs related to qualifying economic development projects previously paid for by debt issued by the City. The remaining transfers pertained to the reimbursement of eligible current period expenditures incurred by the City related to economic development activities and administrative services provided to LEDC by the City.

NOTE 15: CONTINGENCIES AND COMMITMENTS**A. Litigation**

The City was not involved in any significant litigation as of September 30, 2018, and management was not aware of any threatened litigation or unasserted claims as of that date.

B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectibility of any related receivables at September 30, 2018, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

C. Water Purchase Commitment

The City has entered into an agreement with the Guadalupe-Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA through December 31, 2027.

NOTE 16: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**A. Interfund Receivables and Payables**

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	<u>\$ 25,974</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General</u>	<u>Nonmajor Govt.</u>	<u>Total</u>
General	\$ -	\$ 95,613	\$ 95,613
Nonmajor govt.	429,633	68,700	498,333
Electric	2,189,609	4,633	2,194,242
Water	58,448	-	58,448
Wastewater	402,779	186,594	589,373
Nonmajor business-type	252,591	-	252,591
	<u>\$ 3,333,060</u>	<u>\$ 355,540</u>	<u>\$3,688,600</u>

NOTE 17: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2018:

	Governmental Fund Balances				
	Nonspendable	Restricted	Committed	Unassigned	Total
General					
Prepaid expenditures	\$ 37,870	\$ -	\$ -	\$ -	\$ 37,870
Inventory	11,563	-	-	-	11,563
Sidewalks	-	-	17,596	-	17,596
Revolving loan	-	-	263,827	-	263,827
Industrial park	-	-	272,454	-	272,454
Unassigned	-	-	-	4,451,131	4,451,131
2015 Cert. of Oblig.					
Various capital projects	-	4,239,670	-	-	4,239,670
Nonmajor Governmental					
Prepaid expenditures	2,765	-	-	-	2,765
Various capital projects	-	291,787	-	-	291,787
General government	-	35,067	-	-	35,067
Tourism	-	2,721	-	-	2,721
Public safety	-	227,044	-	-	227,044
Public works	-	903,976	-	-	903,976
Debt service	-	240,674	-	-	240,674
	<u>\$ 52,198</u>	<u>\$ 5,940,939</u>	<u>\$ 553,877</u>	<u>\$ 4,451,131</u>	<u>\$10,998,145</u>

NOTE 18: TAX ABATEMENTS AND REBATES

The City of Lockhart enters into tax abatement and rebate agreements with local businesses under the state local government code, title 12, subtitle A, chapter 380. Under the code, the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans or grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2018, the City of Lockhart rebated sales taxes totaling \$1,278 under this program. The City also rebated property taxes in fiscal year 2018 totaling \$17,703. The following tax rebate agreements exceeded 10 percent of the total amount rebated:

\$1,278 (or 50%) was rebated to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. \$17,703 of property tax rebates were paid to the same company for improvements made to real property (53.6%-2015; 84.96%-2016; 77.48%-2017) over the last three years and 100% on furniture, fixtures and equipment.

NOTE 19: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The GASB has issued the following statement which became effective for fiscal year 2018:

GASB Statement No. 75: Accounting and Financial Reporting for Post-employment Benefits Other than Pensions replaces previous authoritative literature. For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the related OPEB expense on their financial statements along with the related deferred outflows and inflows of resources. In addition to the deferred outflows/inflows associated with plan experience and assumption changes, the standard requires the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period to be reported as a deferred outflow of resources.

The implementation of GASB No. 75 resulted in the restatement of beginning net position for the recording of the beginning OPEB liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying the change results in the adjustments below.

In addition, there were restatements to the General Fund unassigned fund balance and the Wastewater Fund unrestricted net position at September 30, 2017. The changes are listed below.

	Government-wide		Fund Level				
	Governmental Activities	Business-type Activities	General	Electric	Water	Wastewater	Sanitation
Net position at September 30, 2017, as previously reported	\$ 17,190,031	\$ 25,160,951	\$4,541,515	\$4,908,561	\$9,202,227	\$ 6,549,783	\$ 714,319
Recording of unavailable revenue on charges for services	-	-	(74,320)	-	-	-	-
Recording of GBRA receivable	-	245,824	-	-	-	245,824	-
Recording of Total OPEB - Health liability as of September 30, 2017	(311,006)	-	-	-	-	-	-
Recording of Total OPEB - SDB liability as of September 30, 2017	(279,660)	(65,599)	-	(37,978)	(13,810)	(6,906)	(6,905)
Deferral for OPEB - SDB contributions made after the measurement date	<u>8,622</u>	<u>2,028</u>	<u>-</u>	<u>1,172</u>	<u>427</u>	<u>216</u>	<u>213</u>
Net position at September 30, 2017, as restated	<u>\$ 16,607,987</u>	<u>\$ 25,343,204</u>	<u>\$4,467,195</u>	<u>\$4,871,755</u>	<u>\$9,188,844</u>	<u>\$ 6,788,917</u>	<u>\$ 707,627</u>

NOTE 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION

As described in Note 1, the Lockhart Economic Development Corporation is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit:

A. Organization

The Lockhart Economic Development Corporation (LEDC), a public instrumentality and nonprofit corporation, was created under Section 4B of the Development Corporation Act of 1979, Article 5190.6 of the Revised Civil Statutes of Texas (the "Act") on June 26, 1996. Under the Act, the Board of Directors consists of seven members appointed by and who serve at the pleasure of the City Council of the City for two-year terms.

LEDC may enter into any project authorized by the Act including, but not limited to, such projects as promotion and development of new and expanded business enterprises, job training centers, infrastructure improvements, public safety, municipal buildings, civic centers, recreation facilities, and other related facilities.

LEDC prepares annual financial statements as of September 30th of each year. LEDC reports its financial results as a governmental type of entity.

B. Summary of Significant Accounting Policies

The accounting and reporting policies of LEDC conform to GAAP, as applicable to governmental units. The more significant of LEDC's accounting policies are described below.

1. Reporting Entity - Component Unit Status

LEDC meets the criteria established by GASB to be a component unit of the City, due to the fact that the City Council of Lockhart appoints each member of its Board of Directors. LEDC is included in the City's annual financial statements as a discretely presented component unit.

2. Government-wide and Fund Accounting

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of LEDC.

The combined Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expenses of LEDC are offset by program revenues. Direct expenses are those that are clearly identifiable with the LEDC's specific function, that of economic development. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. For the year ended September 30, 2018, all of LEDC's revenues were classified as general revenues.

The government-wide and fund financial statements are provided for LEDC with a column for adjustments between the two statements.

NOTE 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund (i.e., the column labeled "General Fund") financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Sales taxes and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when LEDC receives cash.

The Corporation reports the following governmental fund type:

Major Fund - The General Fund is LEDC's operating fund. All financial resources are accounted for in the General Fund. The General Fund's transactions consist primarily of revenues realized from the collection of sales tax revenue dedicated to the purpose of economic development and transfers to the City (reported as economic development expenditures) to be used for purposes authorized by LEDC's enabling legislation.

LEDC reports no other funds.

4. Cash, Cash Equivalents, and Investments

Cash includes all amounts on deposit with financial institutions in demand accounts. All short-term investments that are highly liquid are considered to be cash equivalents. An investment is considered highly liquid if it is convertible to a known amount of cash and has a maturity date of no longer than three months from the date the investment was purchased.

LEDC may invest in any instruments authorized by the Public Funds Investment Act of the State of Texas. These instruments include, but are not limited to, the following: obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposit issued by state or national banks which are guaranteed or insured by the FDIC; and deposits in statewide investment pools which meet certain restrictive criteria. LEDC reports its investments at fair value.

NOTE 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

B. Summary of Significant Accounting Policies - (Continued)

5. Budgets and Budgetary Accounting

The Board of Directors submits an annual budget to the City for approval in accordance with the Texas Municipal Budget Act. By September of each year, the Board of Directors, with approval by the City, adopts an annual fiscal year budget for the General Fund. Once approved, the Board of Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget of LEDC is prepared on a modified accrual basis of accounting. Revenues are budgeted in the year receipts are expected, and expenditures are budgeted in the year that the applicable purchase occurs. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

6. Federal Income Taxes

LEDC is exempt from Federal income taxes due to its classification as a governmental entity under the guidelines of the Internal Revenue Service.

7. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires LEDC to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

C. Deposits and Investments

LEDC pools its funds with the City for investment, and as such, follows the City's policies and procedures pertaining to investment transactions. Following is a discussion of various risks associated with the City's (and accordingly LEDC's) investments as of and for the year ending September 30, 2018:

1. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to one year or less from the time of purchase.

2. Credit Risk

As previously mentioned, it is LEDC's policy to limit its investments to those that are authorized under the Texas Public Funds Investment Act. Additionally, any money market mutual funds or local government investment pools must be rated no lower than AAA by at least one nationally recognized rating service. As of September 30, 2018, TexPool was rated AAAm by Standard and Poor's and MBIA Texas CLASS was rated AAA/V-1+ by Fitch.

3. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. As such, at year-end LEDC was not exposed to concentration of credit risk.

NOTE 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

C. Deposits and Investments - (Continued)

4. Custodial Credit Risk - Deposits

Custodial credit risk refers to the risk that in the event of a bank failure, LEDC's deposits may not be returned to it. The City's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2018, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

It is managements' understanding that the LEDC, a discretely presented component unit, and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, the Corporation's bank deposits may not be insured above \$250,000 even though they are secured by the pledged collateral agreement of the City.

5. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2018, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

D. Sales Taxes

LEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. LEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2018, was \$147,819. The City collects the sales tax from the State of Texas and then pays LEDC's portion monthly when collected.

E. Restricted Net Position

The legislation under which LEDC was created restricts the use of sales tax revenue received by LEDC to projects related to quality of life improvements, including economic development that will attract and retain primary employers. Some of the types of projects authorized in the legislation are listed previously. There were no restrictions on LEDC's net position as of September 30, 2018, other than those imposed through the enabling legislation.

F. Inventory

Inventory consists of various tracts of land that LEDC has purchased to be used for future economic development projects. There was no change in the inventory from the previous year.

NOTE 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

G. Capital Assets

The LEDC's capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Discretely presented component unit				
Capital assets, not being depreciated				
Land	\$ 108,000	\$ -	\$ -	\$ 108,000
Total capital assets not being depreciated	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>108,000</u>
Capital assets, being depreciated				
Buildings	<u>612,000</u>	<u>-</u>	<u>-</u>	<u>612,000</u>
Total capital assets being depreciated	<u>612,000</u>	<u>-</u>	<u>-</u>	<u>612,000</u>
Less accumulated depreciation for				
Buildings	<u>73,440</u>	<u>12,240</u>	<u>-</u>	<u>85,680</u>
Total accumulated depreciation	<u>73,440</u>	<u>12,240</u>	<u>-</u>	<u>85,680</u>
Total capital assets being depreciated, net	<u>538,560</u>	<u>(12,240)</u>	<u>-</u>	<u>526,320</u>
Discretely presented component unit capital assets, net	<u>\$ 646,560</u>	<u>\$ (12,240)</u>	<u>\$ -</u>	<u>\$ 634,320</u>

Depreciation expense was charged to functions/programs of the LEDC as follows:

Discretely presented component unit

General government \$ 12,240

H. Long-Term Debt

An analysis of changes in long term-debt is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Discretely presented component unit					
Notes payable	\$ 201,905	\$ -	\$ (17,736)	\$ 184,169	\$ 19,040
Compensated absences	<u>2,684</u>	<u>5,133</u>	<u>(6,791)</u>	<u>1,026</u>	<u>1,026</u>
Total discretely presented component unit	<u>\$ 204,589</u>	<u>\$ 5,133</u>	<u>\$ (24,527)</u>	<u>\$ 185,195</u>	<u>\$ 20,066</u>

NOTE 20: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)**H. Long-Term Debt - (Continued)**

Maturities of long term-debt is as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,040	\$ 9,213	\$ 28,253
2020	19,964	8,337	28,301
2021	20,933	7,413	28,346
2022	21,950	6,443	28,393
2023	23,015	5,427	28,442
2024-2027	<u>79,267</u>	<u>10,541</u>	<u>89,808</u>
	<u>\$ 184,169</u>	<u>\$ 47,374</u>	<u>\$ 231,543</u>

I. Contingencies and Commitments**1. Litigation**

LEDC was not involved in any litigation as of September 30, 2018, and management was not aware of any threatened litigation or unasserted claims as of that date.

2. Commitments

The LEDC is scheduled to make annual installments ranging from \$48,093 to \$65,676 to the City for the 2015 Combination Certificates of Obligation through August 1, 2035.

J. Tax Abatements and Rebates

The Lockhart Economic Development Corporation enters into tax rebate agreements with local businesses under the state local government code, title 12, subtitle C1, chapter 505. Under the code, the governing body of a municipality may create a Type B corporation and provide for the administration of one or more programs, including programs for making loans or grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2018, the Lockhart Economic Development Corporation rebated sales taxes totaling \$639 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$639.

Required Supplementary Information

CITY OF LOCKHART, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****GENERAL FUND***For the year ended September 30, 2018*

	<u>Budget</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original / Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Positive</u>
			<u>(Negative)</u>
REVENUES			
Property taxes	\$ 3,525,392	\$ 3,642,474	\$ 117,082
Sales and other taxes	1,871,048	2,013,845	142,797
Fines, fees, and forfeitures	283,164	364,423	81,259
Licenses and permits	110,499	192,622	82,123
Intergovernmental and grants	211,850	323,298	111,448
Investment	25,352	89,701	64,349
Miscellaneous	148,772	263,684	114,912
Total revenues	<u>6,176,077</u>	<u>6,890,047</u>	<u>713,970</u>
EXPENDITURES			
Current			
General government	2,428,265	1,891,347	536,918
Public safety	4,908,827	4,978,250	(69,423)
Public works	1,491,447	1,593,994	(102,547)
Health and welfare	10,682	11,396	(714)
Culture and recreation	963,142	938,896	24,246
Capital outlay	374,158	126,365	247,793
Total expenditures	<u>10,176,521</u>	<u>9,540,248</u>	<u>636,273</u>
Excess (deficiency) of revenues over expenditures	(4,000,444)	(2,650,201)	1,350,243
OTHER FINANCING SOURCES (USES)			
Transfers in	3,289,429	3,333,060	43,631
Transfers out	(96,000)	(95,613)	387
Total other financing sources (uses)	<u>3,193,429</u>	<u>3,237,447</u>	<u>44,018</u>
Net change in fund balance	(807,015)	587,246	1,394,261
Fund balance - beginning, as restated	<u>4,467,195</u>	<u>4,467,195</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,660,180</u>	<u>\$ 5,054,441</u>	<u>\$ 1,394,261</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LOCKHART, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS****TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION***Last ten years*

	Measurement Year		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 659,622	\$ 755,292	\$ 809,909
Interest (on the total pension liability)	1,759,695	1,840,606	1,924,544
Difference between expected and actual experience	(275,265)	541,546	213,804
Change of assumptions	-	143,888	-
Benefit payments, including refunds of employee contributions	(987,219)	(1,084,811)	(1,097,681)
Net Change in Total Pension Liability	1,156,833	2,196,521	1,850,576
Total Pension Liability - Beginning	25,302,299	26,459,132	28,655,653
Total Pension Liability - Ending (a)	\$ 26,459,132	\$ 28,655,653	\$ 30,506,229
Plan Fiduciary Net Position			
Contributions - Employer	\$ 662,456	\$ 721,903	\$ 708,591
Contributions - Employee	321,581	352,824	358,731
Net investment income	1,282,369	34,935	1,599,743
Benefit payments, including refunds of employee contributions	(987,219)	(1,084,811)	(1,097,681)
Administrative expense	(13,388)	(21,283)	(18,076)
Other	(1,101)	(1,051)	(974)
Net Change in Plan Fiduciary Net Position	1,264,698	2,517	1,550,334
Plan Fiduciary Net Position - Beginning	22,415,156	23,679,854	23,682,371
Plan Fiduciary Net Position - Ending (b)	\$ 23,679,854	\$ 23,682,371	\$ 25,232,705
Net Pension Liability - Ending (a) - (b)	\$ 2,779,278	\$ 4,973,282	\$ 5,273,524
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.50%	82.64%	82.71%
Covered Payroll	\$ 5,359,686	\$ 5,730,595	\$ 5,937,749
Net Pension Liability as a Percentage of Covered Payroll	51.86%	86.78%	88.81%

NOTE: Information for the prior six years was not readily available. The City will compile the respective information over the next six years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

Measurement Year

2017

\$ 803,650
2,050,665
(95,374)

(1,055,658)

1,703,283

30,506,229

\$ 32,209,512

\$ 779,767
358,239
3,497,425

(1,055,658)

(18,124)

(918)

3,560,731

25,232,705

\$ 28,793,436

\$ 3,416,076

89.39%

\$ 5,970,653

57.21%

CITY OF LOCKHART, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
Last ten fiscal years

	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	\$ 692,664	\$ 734,637	\$ 754,327
Contribution in relation to the actuarially determined contribution	<u>(692,664)</u>	<u>(734,637)</u>	<u>(754,327)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,617,224	\$ 6,129,529	\$ 5,911,532
Contributions as a percentage of covered payroll	12.33%	11.99%	12.76%

NOTE: Information for the prior six fiscal years was not readily available. The City will compile the respective information over the next six fiscal years.

<u>Fiscal Year</u>
<u>2018</u>

\$ 829,948

(829,948)

\$ -

\$ 6,300,160

13.17%

CITY OF LOCKHART, TEXAS**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT***Last ten years*

	<u>Measurement Year</u>
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 15,524
Interest (on the total OPEB liability)	13,276
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	31,482
Benefit payments	<u>(3,582)</u>
Net Change in Total Pension Liability	56,700
Total OPEB Liability - Beginning	<u>345,259</u>
Total OPEB Liability - Ending	<u>\$ 401,959</u>
 Covered Payroll	 \$ 5,970,653
 Total OPEB Liability as a Percentage of Covered Payroll	 6.73%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

CITY OF LOCKHART, TEXAS**SCHEDULE OF EMPLOYER CONTRIBUTIONS****TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT***Last ten fiscal years*

	<u>Fiscal Year</u>
	<u>2018</u>
Actuarially Determined Contribution	\$ 3,303
Contribution in relation to the actuarially determined contribution	<u>(3,303)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 6,300,160
Contributions as a percentage of covered payroll	0.0524%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

CITY OF LOCKHART, TEXAS**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS****RETIREE HEALTHCARE***Last ten years*

	<u>Measurement Year</u>
	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 11,326
Interest (on the total OPEB liability)	15,641
Change of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	-
Benefit payments	<u>(20,086)</u>
Net Change in Total Pension Liability	6,881
Total OPEB Liability - Beginning	<u>383,961</u>
Total OPEB Liability - Ending	<u>\$ 390,842</u>
 Covered Payroll	 \$ 3,778,438
 Total OPEB Liability as a Percentage of Covered Payroll	 10.34%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

CITY OF LOCKHART, TEXAS**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***September 30, 2018***NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

There were several situations of expenditures exceeding the amounts appropriated during the fiscal year 2017-2018.

<u>Fund/Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Public Safety	\$ 4,908,827	\$ 4,978,250	\$ (69,423)
Public Works	1,491,447	1,593,994	(102,547)
Health and welfare	10,682	11,396	(714)

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: DEFINED BENEFIT PENSION PLAN**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	28 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

There were no benefit changes during the year.

CITY OF LOCKHART, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.

NOTE 5: RETIREE HEALTH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions or assumptions during the year.

Combining and Individual Fund Statements

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,080,731	\$ 240,674	\$ 337,437	\$ 1,658,842
Receivables (net)	136,751	58,269	-	195,020
Prepaid expenditures	10,339	-	-	10,339
Total assets	\$ 1,227,821	\$ 298,943	\$ 337,437	\$ 1,864,201
LIABILITIES				
Accounts payable	\$ 14,089	\$ -	\$ -	\$ 14,089
Due to other funds	25,974	-	-	25,974
Deposits	-	-	45,650	45,650
Total liabilities	40,063	-	45,650	85,713
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	16,185	58,269	-	74,454
Total deferred inflows of resources	16,185	58,269	-	74,454
FUND BALANCES				
Nonspendable				
Prepaid expenditures	2,765	-	-	2,765
Restricted				
General government	35,067	-	-	35,067
Tourism	2,721	-	-	2,721
Public safety	227,044	-	-	227,044
Public works	903,976	-	-	903,976
Debt service	-	240,674	-	240,674
Various capital projects	-	-	291,787	291,787
Total fund balances	1,171,573	240,674	291,787	1,704,034
Total liabilities, deferred inflows and fund balances	\$ 1,227,821	\$ 298,943	\$ 337,437	\$ 1,864,201

CITY OF LOCKHART, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2018

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total
REVENUES				
Property taxes	\$ -	\$ 710,351	\$ -	\$ 710,351
Sales and other taxes	101,120	-	-	101,120
Fines, fees, and forfeitures	863,134	-	-	863,134
Intergovernmental and grants	135,326	-	-	135,326
Investment	16,016	10,840	5,681	32,537
Miscellaneous	-	59,612	-	59,612
Total revenues	<u>1,115,596</u>	<u>780,803</u>	<u>5,681</u>	<u>1,902,080</u>
EXPENDITURES				
Current				
General government	42,340	-	-	42,340
Public safety	234,269	-	-	234,269
Public works	133,411	-	-	133,411
Culture and recreation	10,835	-	-	10,835
Capital outlay	-	-	75,625	75,625
Debt service				
Principal retirement	-	601,470	-	601,470
Interest and fiscal charges	-	483,207	-	483,207
Paying agent and issue costs	-	1,000	-	1,000
Total expenditures	<u>420,855</u>	<u>1,085,677</u>	<u>75,625</u>	<u>1,582,157</u>
Excess (deficiency) of revenues over expenditures	694,741	(304,874)	(69,944)	319,923
OTHER FINANCING SOURCES (USES)				
Transfers in	95,613	259,927	-	355,540
Transfers out	(498,333)	-	-	(498,333)
Total other financing sources (uses)	<u>(402,720)</u>	<u>259,927</u>	<u>-</u>	<u>(142,793)</u>
Net change in fund balances	292,021	(44,947)	(69,944)	177,130
Fund balances - beginning, as restated	<u>879,552</u>	<u>285,621</u>	<u>361,731</u>	<u>1,526,904</u>
Fund balances - ending	<u>\$ 1,171,573</u>	<u>\$ 240,674</u>	<u>\$ 291,787</u>	<u>\$ 1,704,034</u>

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	Radio Tower Equipment Replacement	Forfeited Property	Hotel / Motel Occupancy Tax	TCEQ NPS Grant	Road Impact Fees #1	Road Impact Fees #2
ASSETS						
Current assets						
Cash and cash equivalents	\$ 59,955	\$ 3,784	\$ 311	\$ 6,001	\$ 557,478	\$ 52,355
Receivables (net)	-	-	20,038	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Total assets	<u>\$ 59,955</u>	<u>\$ 3,784</u>	<u>\$ 20,349</u>	<u>\$ 6,001</u>	<u>\$ 557,478</u>	<u>\$ 52,355</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 10,049	\$ -	\$ -	\$ -
Due to other funds	-	-	7,579	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>17,628</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted						
General government	-	-	-	6,001	-	-
Tourism	-	-	2,721	-	-	-
Public safety	59,955	3,784	-	-	-	-
Public works	-	-	-	-	557,478	52,355
Total fund balances	<u>59,955</u>	<u>3,784</u>	<u>2,721</u>	<u>6,001</u>	<u>557,478</u>	<u>52,355</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 59,955</u>	<u>\$ 3,784</u>	<u>\$ 20,349</u>	<u>\$ 6,001</u>	<u>\$ 557,478</u>	<u>\$ 52,355</u>

<u>Municipal Court Technology</u>	<u>Radio System Maintenance</u>	<u>Municipal Court Security</u>	<u>Child Safety</u>	<u>Court Efficiency</u>	<u>Juvenile Case Manager</u>	<u>Truancy Court</u>
\$ -	\$ 88,518	\$ 11,137	\$ 19,747	\$ 10,544	\$ 19,975	\$ 1,366
4,329	-	3,247	815	792	6,351	651
9,634	-	-	-	-	-	-
<u>\$ 13,963</u>	<u>\$ 88,518</u>	<u>\$ 14,384</u>	<u>\$ 20,562</u>	<u>\$ 11,336</u>	<u>\$ 26,326</u>	<u>\$ 2,017</u>
\$ 83	\$ 3,252	\$ -	\$ -	\$ -	\$ -	\$ -
7,491	-	-	-	-	-	-
<u>7,574</u>	<u>3,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,329	-	3,247	815	792	6,351	651
<u>4,329</u>	<u>-</u>	<u>3,247</u>	<u>815</u>	<u>792</u>	<u>6,351</u>	<u>651</u>
2,060	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	85,266	11,137	19,747	10,544	19,975	1,366
-	-	-	-	-	-	-
<u>2,060</u>	<u>85,266</u>	<u>11,137</u>	<u>19,747</u>	<u>10,544</u>	<u>19,975</u>	<u>1,366</u>
<u>\$ 13,963</u>	<u>\$ 88,518</u>	<u>\$ 14,384</u>	<u>\$ 20,562</u>	<u>\$ 11,336</u>	<u>\$ 26,326</u>	<u>\$ 2,017</u>

(continued)

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	<u>Cable Education</u>	<u>Transportation System Improvmts</u>	<u>Drainage System Improvmts</u>	<u>Law Enforcement Education - Police</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 22,828	\$ 92,178	\$ 118,579	\$ 15,975	\$ 1,080,731
Receivables (net)	6,238	64,506	29,784	-	136,751
Prepaid expenditures	-	-	-	705	10,339
Total assets	<u>\$ 29,066</u>	<u>\$ 156,684</u>	<u>\$ 148,363</u>	<u>\$ 16,680</u>	<u>\$ 1,227,821</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 705	\$ 14,089
Due to other funds	-	-	10,904	-	25,974
Total liabilities	<u>-</u>	<u>-</u>	<u>10,904</u>	<u>705</u>	<u>40,063</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	16,185
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,185</u>
FUND BALANCES					
Nonspendable	-	-	-	705	2,765
Restricted					
General government	29,066	-	-	-	35,067
Tourism	-	-	-	-	2,721
Public safety	-	-	-	15,270	227,044
Public works	-	156,684	137,459	-	903,976
Total fund balances	<u>29,066</u>	<u>156,684</u>	<u>137,459</u>	<u>15,975</u>	<u>1,171,573</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 29,066</u>	<u>\$ 156,684</u>	<u>\$ 148,363</u>	<u>\$ 16,680</u>	<u>\$ 1,227,821</u>

(concluded)

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2018

	Radio Tower Equipment Replacement	Forfeited Property	Hotel / Motel Occupancy Tax	TCEQ NPS Grant	Road Impact Fees #1	Road Impact Fees #2
REVENUES						
Sales and other taxes	\$ -	\$ -	\$ 82,180	\$ -	\$ -	\$ -
Fines, fees, and forfeitures	-	64	-	-	136,763	95,619
Intergovernmental and grants	-	-	-	-	-	-
Investment	1,001	58	143	94	7,809	680
Total revenues	<u>1,001</u>	<u>122</u>	<u>82,323</u>	<u>94</u>	<u>144,572</u>	<u>96,299</u>
EXPENDITURES						
Current						
General government	-	-	31,345	-	-	-
Public safety	5,115	-	-	-	-	-
Public works	-	-	-	-	50,000	50,000
Culture and recreation	-	-	10,835	-	-	-
Total expenditures	<u>5,115</u>	<u>-</u>	<u>42,180</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	(4,114)	122	40,143	94	94,572	46,299
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(40,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(4,114)	122	143	94	94,572	46,299
Fund balances - beginning	<u>64,069</u>	<u>3,662</u>	<u>2,578</u>	<u>5,907</u>	<u>462,906</u>	<u>6,056</u>
Fund balances - ending	<u>\$ 59,955</u>	<u>\$ 3,784</u>	<u>\$ 2,721</u>	<u>\$ 6,001</u>	<u>\$ 557,478</u>	<u>\$ 52,355</u>

<u>Municipal Court Technology</u>	<u>Radio System Maintenance</u>	<u>Municipal Court Security</u>	<u>Child Safety</u>	<u>Court Efficiency</u>	<u>Juvenile Case Manager</u>	<u>Truancy Court</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,911	-	4,439	810	1,109	8,724	968
-	133,191	-	-	-	-	-
-	2,200	159	302	155	237	14
<u>5,911</u>	<u>135,391</u>	<u>4,598</u>	<u>1,112</u>	<u>1,264</u>	<u>8,961</u>	<u>982</u>
-	-	-	-	-	-	-
11,382	212,912	4,180	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,382</u>	<u>212,912</u>	<u>4,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(5,471)	(77,521)	418	1,112	1,264	8,961	982
-	95,613	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>95,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(5,471)	18,092	418	1,112	1,264	8,961	982
<u>7,531</u>	<u>67,174</u>	<u>10,719</u>	<u>18,635</u>	<u>9,280</u>	<u>11,014</u>	<u>384</u>
<u>\$ 2,060</u>	<u>\$ 85,266</u>	<u>\$ 11,137</u>	<u>\$ 19,747</u>	<u>\$ 10,544</u>	<u>\$ 19,975</u>	<u>\$ 1,366</u>

(continued)

CITY OF LOCKHART, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2018

	Cable Education	Transportation System Improvmnts	Drainage System Improvmnts	Law Enforcement Education - Police	Total
REVENUES					
Sales and other taxes	\$ 18,940	\$ -	\$ -	\$ -	\$ 101,120
Fines, fees, and forfeitures	-	417,534	191,193	-	863,134
Intergovernmental and grants	-	-	-	2,135	135,326
Investment	335	1,064	1,525	240	16,016
Total revenues	<u>19,275</u>	<u>418,598</u>	<u>192,718</u>	<u>2,375</u>	<u>1,115,596</u>
EXPENDITURES					
Current					
General government	9,858	1,137	-	-	42,340
Public safety	-	-	-	680	234,269
Public works	-	-	33,411	-	133,411
Culture and recreation	-	-	-	-	10,835
Total expenditures	<u>9,858</u>	<u>1,137</u>	<u>33,411</u>	<u>680</u>	<u>420,855</u>
Excess (deficiency) of revenues over expenditures	9,417	417,461	159,307	1,695	694,741
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	95,613
Transfers out	-	(390,000)	(68,333)	-	(498,333)
Total other financing sources (uses)	<u>-</u>	<u>(390,000)</u>	<u>(68,333)</u>	<u>-</u>	<u>(402,720)</u>
Net change in fund balances	9,417	27,461	90,974	1,695	292,021
Fund balances - beginning	<u>19,649</u>	<u>129,223</u>	<u>46,485</u>	<u>14,280</u>	<u>879,552</u>
Fund balances - ending	<u>\$ 29,066</u>	<u>\$ 156,684</u>	<u>\$ 137,459</u>	<u>\$ 15,975</u>	<u>\$ 1,171,573</u>

(concluded)

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
September 30, 2018

	<u>Clearfork Detention Basin</u>	<u>Clearfork Section 1 Sidewalk</u>	<u>Maple 2201 Trail Project</u>	<u>2009 Certificates of Obligation</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 21,964	\$ 16,614	\$ 15,000	\$ 283,859	\$ 337,437
Total assets	<u>\$ 21,964</u>	<u>\$ 16,614</u>	<u>\$ 15,000</u>	<u>\$ 283,859</u>	<u>\$ 337,437</u>
LIABILITIES					
Deposits	\$ 17,450	\$ 13,200	\$ 15,000	\$ -	\$ 45,650
Total liabilities	<u>17,450</u>	<u>13,200</u>	<u>15,000</u>	<u>-</u>	<u>45,650</u>
FUND BALANCES					
Restricted					
Various capital projects	4,514	3,414	-	283,859	291,787
Total fund balances	<u>4,514</u>	<u>3,414</u>	<u>-</u>	<u>283,859</u>	<u>291,787</u>
Total liabilities and fund balances	<u>\$ 21,964</u>	<u>\$ 16,614</u>	<u>\$ 15,000</u>	<u>\$ 283,859</u>	<u>\$ 337,437</u>

CITY OF LOCKHART, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NONMAJOR CAPITAL PROJECT FUNDS**

September 30, 2018

	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	Maple 2201 Trail Project	2009 Certificates of Obligation	Total
REVENUES					
Investment	\$ 344	\$ 259	\$ -	\$ 5,078	\$ 5,681
Total revenues	<u>344</u>	<u>259</u>	<u>-</u>	<u>5,078</u>	<u>5,681</u>
EXPENDITURES					
Capital outlay	-	-	-	75,625	75,625
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,625</u>	<u>75,625</u>
Excess (deficiency) of revenues over expenditures	344	259	-	(70,547)	(69,944)
Fund balances - beginning	<u>4,170</u>	<u>3,155</u>	<u>-</u>	<u>354,406</u>	<u>361,731</u>
Fund balances - ending	<u>\$ 4,514</u>	<u>\$ 3,414</u>	<u>\$ -</u>	<u>\$ 283,859</u>	<u>\$ 291,787</u>

CITY OF LOCKHART, TEXAS**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL****NONMAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND**

For the year ended September 30, 2018

With comparative totals for the year ended September 30, 2017

	2018			2017
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 685,808	\$ 710,351	\$ 24,543	\$ 692,161
Investment income	-	10,840	10,840	5,115
Miscellaneous	59,612	59,612	-	72,970
Total revenues	<u>745,420</u>	<u>780,803</u>	<u>35,383</u>	<u>770,246</u>
EXPENDITURES				
Debt service				
Principal retirement	601,470	601,470	-	587,160
Interest and fiscal charges	483,207	483,207	-	500,948
Paying agent fees and issue costs	800	1,000	(200)	1,200
Total expenditures	<u>1,085,477</u>	<u>1,085,677</u>	<u>(200)</u>	<u>1,089,308</u>
Excess (deficiency) of revenues over expenditures	(340,057)	(304,874)	35,183	(319,062)
OTHER FINANCING SOURCES (USES)				
Transfers in	326,594	259,927	(66,667)	326,594
Total other financing sources (uses)	<u>326,594</u>	<u>259,927</u>	<u>(66,667)</u>	<u>326,594</u>
Net change in fund balance	<u>\$ (13,463)</u>	<u>(44,947)</u>	<u>\$ (31,484)</u>	7,532
Fund balance at beginning of year		285,621		278,089
Fund balance at end of year		<u>\$ 240,674</u>		<u>\$ 285,621</u>

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2018

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 479,332	\$ 118,661	\$ 597,993
Receivables (net)	<u>258,890</u>	<u>500</u>	<u>259,390</u>
Total current assets	<u>738,222</u>	<u>119,161</u>	<u>857,383</u>
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	120,409	72,161	192,570
Buildings, improvements, and equipment (net)	<u>65,549</u>	<u>1,391,992</u>	<u>1,457,541</u>
Total noncurrent assets	<u>185,958</u>	<u>1,464,153</u>	<u>1,650,111</u>
Total assets	<u>924,180</u>	<u>1,583,314</u>	<u>2,507,494</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pension	16,361	-	16,361
Deferred outflow related to OPEB	<u>747</u>	<u>-</u>	<u>747</u>
Total deferred outflows of resources	<u>17,108</u>	<u>-</u>	<u>17,108</u>
LIABILITIES			
Current liabilities			
Accounts payable	97,110	260	97,370
Payroll related payables	5,220	-	5,220
Customer deposits	150	6,875	7,025
Unearned revenue	-	2,758	2,758
Accrued compensated absences	<u>5,146</u>	<u>-</u>	<u>5,146</u>
Total current liabilities	<u>107,626</u>	<u>9,893</u>	<u>117,519</u>
Noncurrent liabilities			
Net pension liability	68,322	-	68,322
OPEB liability	<u>15,856</u>	<u>-</u>	<u>15,856</u>
Total noncurrent liabilities	<u>84,178</u>	<u>-</u>	<u>84,178</u>
Total liabilities	<u>191,804</u>	<u>9,893</u>	<u>201,697</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pension	<u>15,211</u>	<u>-</u>	<u>15,211</u>
Total deferred inflows of resources	<u>15,211</u>	<u>-</u>	<u>15,211</u>
NET POSITION			
Net investment in capital assets	185,958	1,464,153	1,650,111
Unrestricted	<u>548,315</u>	<u>109,268</u>	<u>657,583</u>
Total net position	<u>\$ 734,273</u>	<u>\$ 1,573,421</u>	<u>\$ 2,307,694</u>

CITY OF LOCKHART, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS***For the year ended September 30, 2018*

	<u>Sanitation</u>	<u>Airport</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,689,309	\$ 70,993	\$ 1,760,302
Miscellaneous	19,503	440	19,943
Total operating revenues	<u>1,708,812</u>	<u>71,433</u>	<u>1,780,245</u>
OPERATING EXPENSES			
Personnel services	230,755	-	230,755
Contracts and services	1,201,443	25,683	1,227,126
Materials and supplies	8,332	-	8,332
Maintenance and repairs	10,104	21,629	31,733
Depreciation	9,186	52,818	62,004
Miscellaneous	1,291	-	1,291
Total operating expenses	<u>1,461,111</u>	<u>100,130</u>	<u>1,561,241</u>
Operating income before nonoperating revenues (expenses) and transfers	247,701	(28,697)	219,004
NONOPERATING REVENUES (EXPENSES)			
Investment income	7,486	1,661	9,147
Gain (loss) on disposition of capital assets	3,510	-	3,510
Noncapital grants and contributions	20,540	-	20,540
Net nonoperating revenues (expenses)	<u>31,536</u>	<u>1,661</u>	<u>33,197</u>
Income (loss) before transfers	279,237	(27,036)	252,201
Transfers out	<u>(252,591)</u>	<u>-</u>	<u>(252,591)</u>
Change in net position	26,646	(27,036)	(390)
Net position - beginning, as restated	<u>707,627</u>	<u>1,600,457</u>	<u>2,308,084</u>
Net position - ending	<u>\$ 734,273</u>	<u>\$ 1,573,421</u>	<u>\$ 2,307,694</u>

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the year ended September 30, 2018

	Sanitation	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,687,835	\$ 70,538	\$ 1,758,373
Cash payments to suppliers for goods and services	(1,216,578)	(47,368)	(1,263,946)
Cash payments to employees for services	(216,677)	-	(216,677)
Net cash provided by operating activities	<u>254,580</u>	<u>23,170</u>	<u>277,750</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (decrease) in customer deposits	100	(75)	25
Noncapital grants and contributions	20,540	-	20,540
Transfers out to other funds	(252,591)	-	(252,591)
Net cash provided (used) by noncapital financing activities	<u>(231,951)</u>	<u>(75)</u>	<u>(232,026)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(22,570)	-	(22,570)
Proceeds from sale of capital assets	3,510	-	3,510
Net cash used by capital financing activities	<u>(19,060)</u>	<u>-</u>	<u>(19,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	7,486	1,661	9,147
Net cash provided (used) by investing activities	<u>7,486</u>	<u>1,661</u>	<u>9,147</u>
Net increase in cash and cash equivalents	11,055	24,756	35,811
Cash and cash equivalents at beginning of year	468,277	93,905	562,182
Cash and cash equivalents at end of year	<u>\$ 479,332</u>	<u>\$ 118,661</u>	<u>\$ 597,993</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 247,701	\$ (28,697)	\$ 219,004
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	9,186	52,818	62,004
Change in assets and liabilities:			
(Increase) decrease in receivables	(20,977)	255	(20,722)
(Increase) decrease in deferred outflow related to pension	25,596	-	25,596
(Increase) decrease in deferred outflow related to OPEB	(534)	-	(534)
Increase (decrease) in accounts payable	4,592	(56)	4,536
Increase (decrease) in payroll related payables	1,054	-	1,054
Increase (decrease) in unearned revenue	-	(1,150)	(1,150)
Increase (decrease) in accrued compensated absences	1,291	-	1,291
Increase (decrease) in net pension liability	(37,148)	-	(37,148)
Increase (decrease) in OPEB liability	8,951	-	8,951
Increase (decrease) in deferred inflow related to pension	14,868	-	14,868
Net cash provided by operating activities	<u>\$ 254,580</u>	<u>\$ 23,170</u>	<u>\$ 277,750</u>

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
September 30, 2018

	Private Purpose Trusts		
	Glosserman Trust	Brock Cabin Trust	Total
ASSETS			
Cash and cash equivalents	\$ 521	\$ 1,218	\$ 1,739
Total assets	<u>521</u>	<u>1,218</u>	<u>1,739</u>
LIABILITIES			
Due to others	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held for various purposes	<u>\$ 521</u>	<u>\$ 1,218</u>	<u>\$ 1,739</u>

<u>Agency Funds</u>			
<u>Confiscated Property</u>	<u>Unclaimed Property</u>	<u>Bicycle Helmet</u>	<u>Total</u>
\$ 10,398	\$ 8,826	\$ 1,080	\$ 20,304
<u>\$ 10,398</u>	<u>\$ 8,826</u>	<u>\$ 1,080</u>	<u>\$ 20,304</u>
 \$ 10,398	 \$ 8,826	 \$ 1,080	 \$ 20,304
<u>\$ 10,398</u>	<u>\$ 8,826</u>	<u>\$ 1,080</u>	<u>\$ 20,304</u>

CITY OF LOCKHART, TEXAS**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****PRIVATE PURPOSE TRUSTS***For the year ended September 30, 2018*

	<u>Glosserman Trust</u>	<u>Brock Cabin Trust</u>	<u>Total</u>
ADDITIONS			
Investment income	<u>\$ 8</u>	<u>\$ 19</u>	<u>\$ 27</u>
Total additions	<u>8</u>	<u>19</u>	<u>27</u>
DEDUCTIONS	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	8	19	27
Net position - beginning	<u>513</u>	<u>1,199</u>	<u>1,712</u>
Net position - ending	<u>\$ 521</u>	<u>\$ 1,218</u>	<u>\$ 1,739</u>

**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**

HARRISON, WALDROP & UHEREK, L.L.P.



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA
DENNIS C. CICALA, CPA
ERIC L. KUCERA, CPA
CLAYTON P. VAN PELT, CPA
ROBERT W. SCHAAR, CPA
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255
FAX: (361) 573-9531

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

The Honorable Mayor and Members
of the City Council
City of Lockhart, Texas

Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 13, 2019. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members
of the City Council

Compliance and Other Matters

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

Purpose of this Report

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

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 13, 2019

Part F: Question 22

TCEQ Compliance Correspondence

Note: Includes the City of Lockhart's and Polina's last TCEQ Compliance Correspondence Letters

Jon Niermann, *Chairman*
Emily Lindley, *Commissioner*
Toby Baker, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 4, 2019

RECEIVED
CITY OF LOCKHART

FEB 08 2019

The Honorable Lew White, Mayor
City of Lockhart
P.O. Box 239
Lockhart, TX 78644

RECVD. BY: _____
TIME RECVD: _____

Re: Notice of Compliance with Commission Order
City of Lockhart; RN102004967; TCEQ PST ID No. 25059
Docket No. 2018-0775-PST-E; Enforcement Case No. 56240

Dear Mayor White:

This letter is to inform you that a review of Texas Commission on Environmental Quality records concerning the above-referenced enforcement matter indicates that the City of Lockhart has fulfilled the requirements of the Commission Order ("Order") effective on January 29, 2019. Specifically, the City of Lockhart has fulfilled the technical requirements and paid the administrative penalty assessed in the Order. Based upon this, we conclude that your response has been satisfactory and no further action is necessary at this time with respect to this enforcement matter. The Order will remain on the compliance history for this regulated entity for five years from the effective date of the Order.

We appreciate your cooperation, and if we can be of any further assistance, please contact Ms. Marla Waters of my staff at (512) 239-4712.

Sincerely,

A handwritten signature in black ink, appearing to read "James Gradney", written over a horizontal line.

James Gradney, Manager
Enforcement Division

JG/mw

cc: Mr. Sean Kelly, Public Works Director, City of Lockhart, 705 Wichita Street Lockhart, TX 78644

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 10, 2017

**CERTIFIED MAIL 9489 0090 0027 6009 3906 36
RETURN RECEIPT REQUESTED**

Mr. Paul L. Pittman, General Manager
Polonia Water Supply Corporation
Post Office Box 778
Lockhart, Texas 78644

Re: Notice of Violation for Compliance Investigation at:
Polonia WSC North Water System
2990 FM 1185, Lockhart, Caldwell County
TCEQ Public Water Supply 0280007, RN101249175

Dear Mr. Pittman:

On June 13, 2017, Lawrence King of the Texas Commission on Environmental Quality (TCEQ) Austin Region Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public drinking water systems. Enclosed is a summary of the investigation findings. During the investigation, a violation was alleged for which compliance documentation is required. Please submit to this office by September 11, 2017, a written description of the corrective action taken to achieve compliance.

In the listing of the alleged violation, we have cited applicable requirements, including TCEQ rules. Both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the Austin Region Office at (512) 339-2929 or the Central Office Publications Ordering Team at (512) 239-0028.

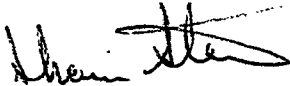
The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violation as required in order to continue to ensure the protection of the public health. If you have additional information that we are unaware of, you have the opportunity to contest the violation

Mr. Paul L. Pittman
Page 2
July 10, 2017

documented in this notice. Should you choose to do so, you must notify the Austin Region Office within 10 days from the date of this letter. At that time, I will schedule a violation review meeting to be conducted *within 21 days from the date of this letter*. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of the contested violation.

Should you have a question regarding this matter, please feel free to contact Mr. King in the Austin Region Office at (512) 339-2929.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Stewart", with a stylized flourish at the end.

Shawn Stewart
Water Section Manager
Austin Region Office

SS/lok

Attachment: Summary of Investigation Findings

Summary of Investigation Findings

POLONIA WSC NORTH

Investigation #

, CALDWELL COUNTY,

1420830
Investigation Date: 06/13/2017

Additional ID(s): 0280007

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 647005 Compliance Due Date: 09/11/2017

30 TAC Chapter 290.46(s)(1)

Alleged Violation:

Investigation: 1420830

Comment Date: 07/05/2017

The well meters had not been calibrated within the previous three years.

Recommended Corrective Action: The water supply corporation shall calibrate or replace the well meters and forward documentation to the TCEQ Austin Region Office which demonstrates that the work has been completed.

paulp ranchwireless.com

From: Paul Pittman <paulp@ranchwireless.com>
Sent: Thursday, August 31, 2017 3:18 PM
To: Lawrence King (lawrence.king@tceq.texas.gov)
Subject: TCEQ Inspection
Attachments: CCI07312017_0003.pdf; CCI07312017_0004.pdf; Invoice # 407008.PDF; Invoice # 9761.pdf

Larry

I have attached the meter test results from all the meters and the invoice and an invoice that shows the work done by Under Water Services. Please let me know if there is anything else you need.

Thanks
Paul L. Pittman

Fluid Meter Service, Corp.
7304 McNeil Dr #604
Austin, TX 78729

Phone: 512-258-3594
800-944-4472

Fax: 512 -258-4386

INVOICE

Invoice Number: 407008**Invoice Date:** July 31, 2017

Bill To:

POLONIA WSC
P.O. BOX 778
LOCKHART, TX 77466

Remit to:

Fluid Meter Service
7304 McNeil Dr. #604
Austin, TX 78729

Customer ID	Customer PO	Payment Terms	Due Date
POLONIA	PAUL	Net 30 Days	8/30/17

Quantity	Description	Unit Price	Amount
18.00	FIELD TEST METERS	125.00	2,250.00

**AWWA Certified Tests
Rebuilding of Meters
Certified Backflow Preventer Tests
Sales, Repair & Calibration on Water
Meters, Control Valves & Ultra Sonic
Meters**

Subtotal	2,250.00
Sales Tax	
Total Invoice	2,250.00
Payment/Credit	
TOTAL	2,250.00

****ADDITIONAL 4% FEE ON ALL NON SWIPE CREDIT CARD ORDERS****

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-8215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Susss TYPE: N-1000

Dale Plant
METER LOCATION

METER# 61292436

BEFORE: 399894 000

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	1023	320	1000	97.7 %	

SIGNATURE: [Signature]

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4366 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Nephew TYPE: Turbo

METER# 70216948

BEFORE: 945872

Dale Plant
METER LOCATION Filter #2

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569, 40093, 179355, 225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	982	323	1000	101.8%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3584 Tel.
(512) 258-4388 Fax

Gary Faber - C.E.O.
512-428-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Susis TYPE: Imp 300

METER# 51433

BEFORE: 50026 00

Date
METER LOCATION well #1

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	979	175	1000	102.1%	

SIGNATURE: 

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO:

Polonia

DATE:

7-28-2017

SIZE:

4"

MAKE:

Sensus

TYPE:

Reg. 30

METER#

51299

BEFORE:

214068 000

METER LOCATION

Dale

Well #2

P.O.#

W.O.#

FMS ORDER #

QUANTITY

DESCRIPTION

PRICE

1

Field Test Meter

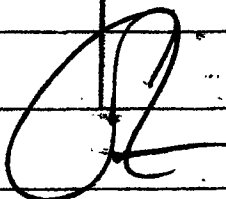
CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569, 40093, 179355, 225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
<u>1</u>	<u>900</u>	<u>163</u>	<u>1000</u>	<u>101.2%</u>	

SIGNATURE:



FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-428-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 6" MAKE: water specialties TYPE: ML03

METER# 960230-06

BEFORE: 270768 000

METER LOCATION

Well #3

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	1009	220	1000	99.1 %	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3584 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO:

Polonia

DATE:

7-28-2017

SIZE:

6"

MAKE:

Sus-S

TYPE:

Prop-300

METER#

54077

BEFORE:

091960 000

METER LOCATION

Dole

Well #4

P.O.#

W.O.#

FMS ORDER #

QUANTITY

DESCRIPTION

PRICE

1

Field Test Meter

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
<u>1</u>	<u>1400</u>	<u>202</u>	<u>1500</u>	<u>101.4%</u>	

SIGNATURE:

[Signature]

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3584 Tel.
(512) 258-4388 Fax

Gary Faber - C.E.O.
512-426-4095 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78728

TO: Polonia

DATE: 7-28-2017

SIZE: 6" MAKE: Sams TYPE: Loop 300

METER#: N/A

BEFORE: 250,325,650

Dale
METER LOCATION Well #5

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	987	239	1000	10.3%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-428-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 6" MAKE: Watts TYPE: M03

METER#: N/A

BEFORE: 048300

Polonia WTP
METER LOCATION Distribution

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	512	370	500	97.7 %	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3504 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-8215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

Polonia WTP
METER LOCATION

SIZE: 4" MAKE: Wahr TYPE ML03

METER# 20130829-04

BEFORE: 420149 00

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	503	194	500	99.4%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4388 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-8215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE water gaculites TYPE: 1123

METER# 2013 0828-04

BEFORE: 424111 00

Polonia wsc Plank
METER LOCATION Transfer Pump

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569, 40093, 179355, 225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	1001	266	1000	99.9%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4388 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 8" MAKE: Sears TYPE: sq-300

Barth Plat
METER LOCATION Distribution

METER# 61331

BEFORE: 694369 000

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
<u>1</u>	<u>Field Test Meter</u>	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
<u>1</u>	<u>900</u>	<u>560</u>	<u>1000</u>	<u>101.2 %</u>	

SIGNATURE: _____



FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3504 Tel.
(512) 258-4366 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Sensus TYPE: AMW

SH 130
METER LOCATION

METER# 7213059B

BEFORE: 091703, 1.00

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	297	02	300	101.0%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SH 130
METER LOCATION Distribution

SIZE: 4" MAKE: Sensus TYPE: OMNI

METER# 72130599

BEFORE: 090,743,6 ⁰⁰

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	1008	289	1000	99.2-%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3504 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Precision TYPE: Magnum

METER# 53005094

BEFORE: 089619 ∞

US 103
METER LOCATION South

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
<u>1</u>	<u>Field Test Meter</u>	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
<u>1</u>	<u>203</u>	<u>143</u>	<u>200</u>	<u>98.5 %</u>	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4366 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email: fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Sensus TYPE: Prop-300

METER# 53721

BEFORE: 070216 000

Davis baro
METER LOCATION Well #2

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569, 40093, 179355, 225713] A.W.W.A. Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	505	139	500	99%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4366 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 6" MAKE Labwell TYPE Rep-300

Brownsboro Plat
METER LOCATION Distribution

METER# 29002

BEFORE: 340894 000

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	504	269	500	99.2%	

SIGNATURE: _____

FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3504 Tel.
(512) 258-4388 Fax

Gary Faber - C.E.O.
512-426-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Watts TYPE: MLot

Brownsboro
METER LOCATION

METER# 20130827-04

BEFORE: 226194 00

well #3

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

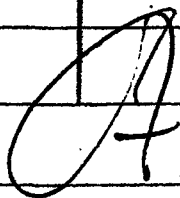
CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	1009	298	1000	99.1%	

SIGNATURE: _____



FMS

FLUID METER SERVICE, CORP.

FMS (800) 944-4472
(512) 258-3594 Tel.
(512) 258-4386 Fax

Gary Faber - C.E.O.
512-428-4035 Mobile
Email fluidmeter1@aol.com

SALES • REPAIR • TESTING • CALIBRATION
METERS • CONTROL VALVES • BACKFLOW PREVENTERS

P.O. Box 340215
Austin, TX 78734-0215

7304 McNeil Dr., #604
Austin, TX 78729

TO: Polonia

DATE: 7-28-2017

SIZE: 4" MAKE: Sensus TYPE: w/20

METER# 27062990

BEFORE: 458500 02

McNeil Plant
METER LOCATION Distribution

P.O.# _____ W.O.# _____ FMS ORDER # _____

QUANTITY	DESCRIPTION	PRICE
1	Field Test Meter	

CERTIFICATE OF CALIBRATION

This is to certify that the physical standards described below were on this day compared to the standards of the state of Texas which are directly traceable to standards of the National Bureau of Standards [NBS Test-No.'s 39569,40093,179355,225713] A.W.W.A Test.

DETAILS OF TEST

LINE NO.	GALS.	RATE OF FLOW G.P.M.	TOTAL GALS.	% OF ACCURACY	CORRECTED % OF ACCURACY
1	501	234	500	99.8%	

SIGNATURE: _____

From: Paul Pittman <paulp@ranchwireless.com>
Sent: Thursday, June 15, 2017 3:58 PM
To: 'Lawrence King'
Subject: RE: TCEQ inspection
Attachments: TCEQ exit report 6-14-17.pdf; Polonia WSC North and South well capacities.docx

Mr. King

I have attached a signed copy of the exit interview form and a copy of the Polonia North and South well capacities.
Thanks for checking on the regulations for us.
If you need anything else please let me know.

Thanks
Paul Pittman

From: Lawrence King [mailto:lawrence.king@tceq.texas.gov]
Sent: Wednesday, June 14, 2017 2:01 PM
To: Paul Pittman
Subject: TCEQ inspection

Mr. Pittman-
The exit interview form is attached.

The regulations requiring emergency generators do not apply to Polonia North or South, because the systems have at least 100 gallons of elevated storage per connection, (it's 100 gallons, not 200 as I thought yesterday) and, as you pointed out, the emergency connection for the South system.

I forgot to ask for the individual well production numbers (in gpm) after we got back to the office. Could you email me those numbers?

Thanks again for your time.

Larry King
TCEQ Austin Region Office
512-239-7037

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Polonia WSC North & South		TCEQ Add. ID No.	0280007	
			RN No. (optional)	0280020	
Investigation Type		Contact Made In-House (Y/N)		Purpose of Investigation	
Regulated Entity Contact	Bud Cheatham		Telephone No.		Date Contacted
Title			Fax No.		Date Faxed

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and *does not represent final TCEQ findings related to violations*. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request: Identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: Include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type ¹	Rule Citation (if known)	Description of Issue
1	PV		The well meters had not been calibrated within the last three years.
2	O		The annual tank inspection report for the 79,000-gallon standpipe on Hwy 183, indicated a significant accumulation of sediment on the bottom of the tank.

¹Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.			
Lawrence King <i>Lawrence King</i> Investigator Name (Signed & Printed)	6-14-2017 Date	Paul L. Pittman <i>Paul L Pittman</i> Regulated Entity Representative Name (Signed & Printed)	6-15-17 Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

Polonia WSC North 0280007 Well Capacities

Well #1-300 gpm

Well #2-300 gpm

Well #3-400 gpm

Well #4-400 gpm

Well #5-350 gpm

Total- 1750 gpm

Polonia WSC South 0280020 Well Capacities

Well #2-200 gpm

Well #3-300 gpm

Total- 500 gpm

From: Lawrence King <lawrence.king@tceq.texas.gov>
Sent: Wednesday, June 14, 2017 2:01 PM
To: Paul Pittman
Subject: TCEQ inspection
Attachments: TCEQ exit interview form.pdf

Mr. Pittman-
The exit interview form is attached.

The regulations requiring emergency generators do not apply to Polonia North or South, because the systems have at least 100 gallons of elevated storage per connection, (it's 100 gallons, not 200 as I thought yesterday) and, as you pointed out, the emergency connection for the South system.

I forgot to ask for the individual well production numbers (in gpm) after we got back to the office. Could you email me those numbers?

Thanks again for your time.

Larry King
TCEQ Austin Region Office
512-239-7037

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Polonia WSC North ¹ / ₃ South		TCEQ Add. ID No.	0280007	
			RN No. (optional)	0280020	
Investigation Type	Contact Made In-House (Y/N)	Purpose of Investigation			
Regulated Entity Contact	Bud Cheatham	Telephone No.		Date Contacted	
Title		Fax No.		Date Faxed	

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and *does not represent final TCEQ findings related to violations*. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request: identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type ¹	Rule Citation (if known)	Description of Issue
1	PV		The well meters had not been calibrated within the last three years.
2	O		The annual tank inspection report for the 79,000-gallon standpipe on Hwy 183, indicated a significant accumulation of sediment on the bottom of the tank.

¹Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.			
Lawrence King <i>Lawrence King</i> Investigator Name (Signed & Printed)	6-14-2017 Date	 Regulated Entity Representative Name (Signed & Printed)	 Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

From: Lawrence King <lawrence.king@tceq.texas.gov>
Sent: Thursday, June 15, 2017 4:07 PM
To: Paul Pittman
Subject: RE: TCEQ inspection

Thanks. Have a good weekend.

From: Paul Pittman [mailto:paulp@ranchwireless.com]
Sent: Thursday, June 15, 2017 3:58 PM
To: Lawrence King <lawrence.king@tceq.texas.gov>
Subject: RE: TCEQ inspection

Mr. King

I have attached a signed copy of the exit interview form and a copy of the Polonia North and South well capacities. Thanks for checking on the regulations for us. If you need anything else please let me know.

Thanks
Paul Pittman

From: Lawrence King [mailto:lawrence.king@tceq.texas.gov]
Sent: Wednesday, June 14, 2017 2:01 PM
To: Paul Pittman
Subject: TCEQ inspection

Mr. Pittman-
The exit interview form is attached.

The regulations requiring emergency generators do not apply to Polonia North or South, because the systems have at least 100 gallons of elevated storage per connection, (it's 100 gallons, not 200 as I thought yesterday) and, as you pointed out, the emergency connection for the South system.

I forgot to ask for the individual well production numbers (in gpm) after we got back to the office. Could you email me those numbers?

Thanks again for your time.

Larry King
TCEQ Austin Region Office
512-239-7037

From: Lawrence King <lawrence.king@tceq.texas.gov>
Sent: Wednesday, June 14, 2017 2:01 PM
To: Paul Pittman
Subject: TCEQ inspection
Attachments: TCEQ exit interview form.pdf

Mr. Pittman-

The exit interview form is attached.

The regulations requiring emergency generators do not apply to Polonia North or South, because the systems have at least 100 gallons of elevated storage per connection, (it's 100 gallons, not 200 as I thought yesterday) and, as you pointed out, the emergency connection for the South system.

I forgot to ask for the individual well production numbers (in gpm) after we got back to the office. Could you email me those numbers?

Thanks again for your time.

Larry King
TCEQ Austin Region Office
512-239-7037

From: Paul Pittman <paulp@ranchwireless.com>
Sent: Thursday, June 15, 2017 3:58 PM
To: 'Lawrence King'
Subject: RE: TCEQ inspection
Attachments: TCEQ exit report 6-14-17.pdf, Polonia WSC North and South well capacities.docx

Mr. King

I have attached a signed copy of the exit interview form and a copy of the Polonia North and South well capacities.
Thanks for checking on the regulations for us.
If you need anything else please let me know.

Thanks
Paul Pittman

From: Lawrence King [mailto:lawrence.king@tceq.texas.gov]
Sent: Wednesday, June 14, 2017 2:01 PM
To: Paul Pittman
Subject: TCEQ inspection

Mr. Pittman-
The exit interview form is attached.

The regulations requiring emergency generators do not apply to Polonia North or South, because the systems have at least 100 gallons of elevated storage per connection, (it's 100 gallons, not 200 as I thought yesterday) and, as you pointed out, the emergency connection for the South system.

I forgot to ask for the individual well production numbers (in gpm) after we got back to the office. Could you email me those numbers?

Thanks again for your time.

Larry King
TCEQ Austin Region Office
512-239-7037

Polonia WSC North 0280007 Well Capacities

Well #1-300 gpm

Well #2-300 gpm

Well #3-400 gpm

Well #4-400 gpm

Well #5-350 gpm

Total- 1750 gpm

Polonia WSC South 0280020 Well Capacities

Well #2-200 gpm

Well #3-300 gpm

Total- 500 gpm

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Polonia WSC North & South		TCEQ Add. ID No.	0280007
			RN No. (optional)	6280020
Investigation Type	Contact Made In-House (Y/N)	Purpose of Investigation		
Regulated Entity Contact	Bud Cheatham	Telephone No.		Date Contacted
Title		Fax No.		Date Faxed

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request: Identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation Issues: Include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type ¹	Rule Citation (if known)	Description of Issue
1	PV		The well meters had not been calibrated within the last three years.
2	O		The annual tank inspection report for the 79,000-gallon standpipe on Hwy 183, indicated a significant accumulation of sediment on the bottom of the tank.

¹Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

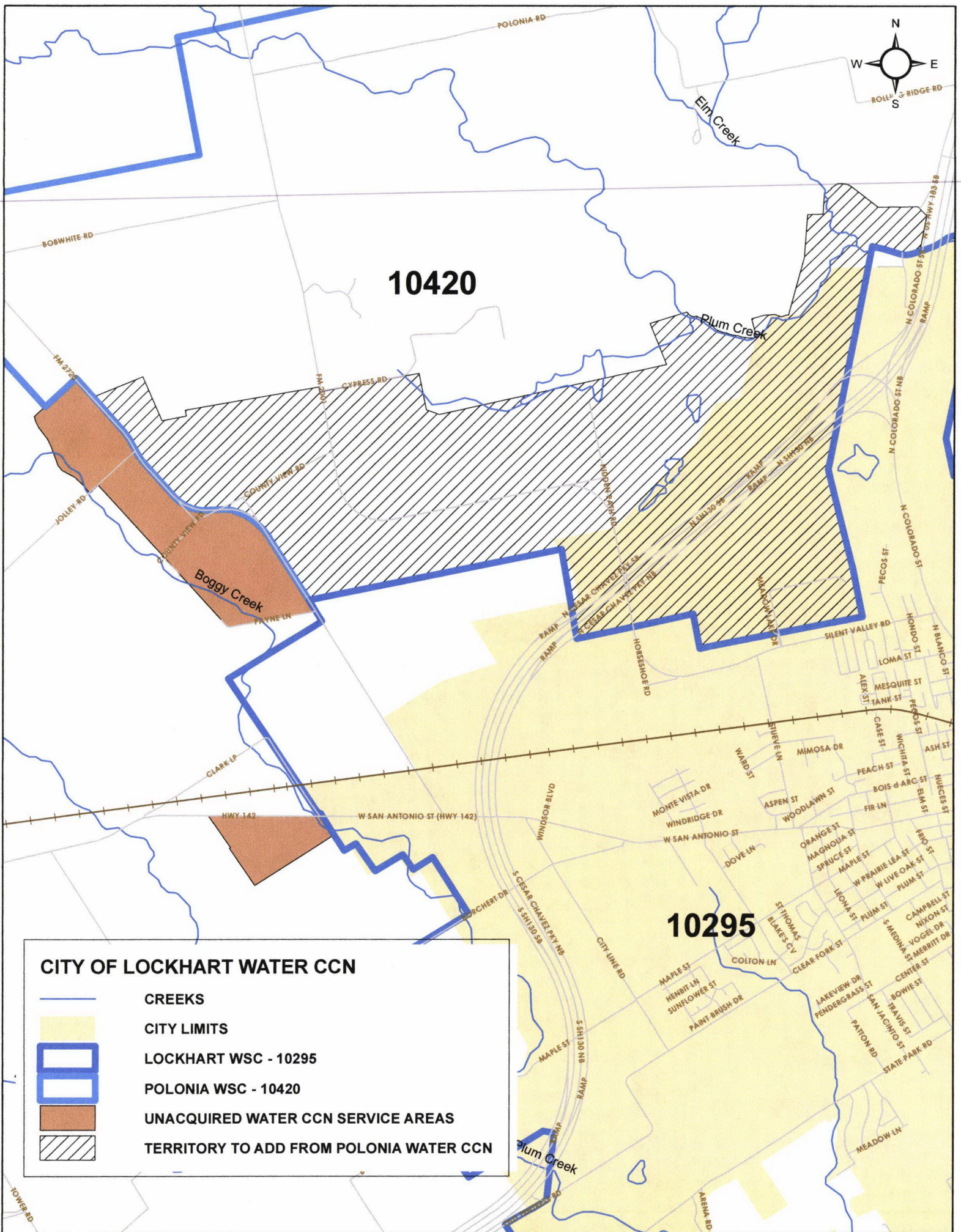
Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.			
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date
Laurence King	6-14-17	Paul L. Pittman	6-15-17

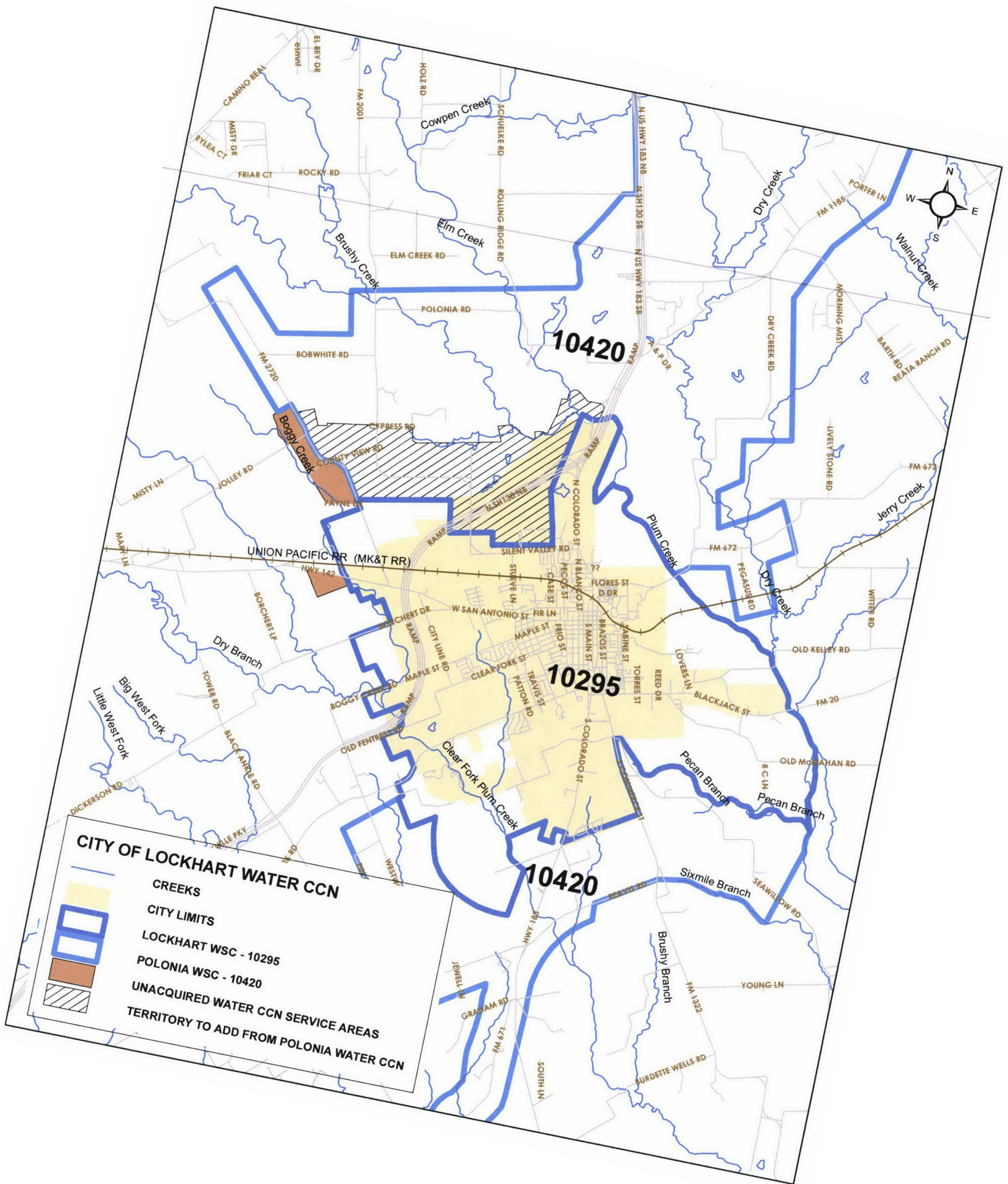
If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-230-3282.

Part G: Question 29

Detailed (large scale) Map
General Location (small scale) Map





CD ATTACHED

TO VIEW PLEASE CONTACT
CENTRAL RECORDS
512-936-7180