

CITY OF WOODVILLE, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

**CITY OF WOODVILLE, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2018**

**Page
Number**

INTRODUCTORY SECTION

Table of Contents	1-2
Principal Officials	3

FINANCIAL SECTION

Independent Auditor’s Report	7-9
Management’s Discussion and Analysis (Required Supplementary Information)	11-20

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	21
Statement of Activities	22-23

Fund Financial Statements:

Balance Sheet - Governmental Funds	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Position - Proprietary Funds	29-30
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	33-34
Notes to the Financial Statements	35-68

**CITY OF WOODVILLE, TEXAS
TABLE OF CONTENTS - CONTINUED
SEPTEMBER 30, 2018**

**Page
Number**

FINANCIAL SECTION - CONTINUED

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Funds	71
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - Sanitation Fund	72
Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual	73
Schedule of Changes in Net Pension Liability and Related Ratios - Texas Municipal Retirement System	74
Schedule of Pension Contributions - Texas Municipal Retirement System	75
Notes to Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions - Texas Municipal Retirement System	76
Schedule of Changes in Total OPEB Liability and Related Ratios - Texas Municipal Retirement System	77
Schedule of Changes in Total OPEB Liability and Related Ratios - Retiree Health Benefits Plan	78

INDIVIDUAL FUND STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

Water and Sewer Enterprise Funds:	
Comparative Statements of Net Position	79-80
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	81
Comparative Statements of Cash Flows	83-84
Gas Enterprise Funds:	
Comparative Statements of Net Position	87-88
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	89
Comparative Statements of Cash Flows	91-92
Schedule of Grant Revenues and Expenditures - Budget and Actual - Community Development Block Grant - GLO 12-593-000-6891	93

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	97-98
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**CITY OF WOODVILLE, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2018**

Russ Nalley Mayor
Mandy Risinger City Administrator
Terri Bible City Secretary

CITY COUNCIL

Joyce Wilson

Amy Bythewood

Janice Weatherford

Lee P. Mann

Herb Branch

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FINANCIAL SECTION

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Glenda J. Hiers, CPA
Richard A. Rudel, CPA
Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Susan L. Murrell, CPA



ALEXANDER LANKFORD & HIERS, INC.
Certified Public Accountants, A Professional Corporation

4000 S. Medford Drive
Lufkin, Texas 75901

Wilbur E. Alexander, CPA
(1940-2009)
Ted A. Lankford, CPA
(Retired)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of
the City Council
City of Woodville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Woodville, Texas (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Auditor's Responsibility - Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Woodville, Texas as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note (1)(D) to the financial statements, in 2018, the City of Woodville, Texas adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of pension contributions and schedules of changes in total OPEB liability and related ratios on pages 11 through 20 and 69 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Other Matters - Continued

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodville, Texas' basic financial statements. The introductory section, individual fund statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019 on our consideration of the City of Woodville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woodville, Texas' internal control over financial reporting and compliance.



ALEXANDER, LANKFORD & HIERS, INC.

Certified Public Accountants

Lufkin, Texas
February 25, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Woodville, Texas (City), we offer readers of the City's financial statements this overview and analysis of the financial activities of City of Woodville, Texas for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,076,990 (net position). Of this amount, \$10,979,868 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The change in net position (government-wide) was \$1,081,695. This is due primarily to Water and Sewer Funds increase in net position of \$631,800.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,925,423, a decrease of \$23,383 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balances for the General Funds and the Sanitation Fund were \$3,122,380 and \$712,254, respectively for a total of \$3,834,634. These fund balances represent 160 percent and 122 percent of total expenditures of the General and Sanitation Funds, respectively.
- The City's total debt decreased by \$310,475 during the fiscal year. The key factors in this decrease were retirement of \$110,000 of general obligation bonds, retirement of \$197,284 of capital leases, increase in long-term compensated absences of \$2,915, amortization of bond premiums of \$6,549, and increase in transfer station clean-up costs of \$443.

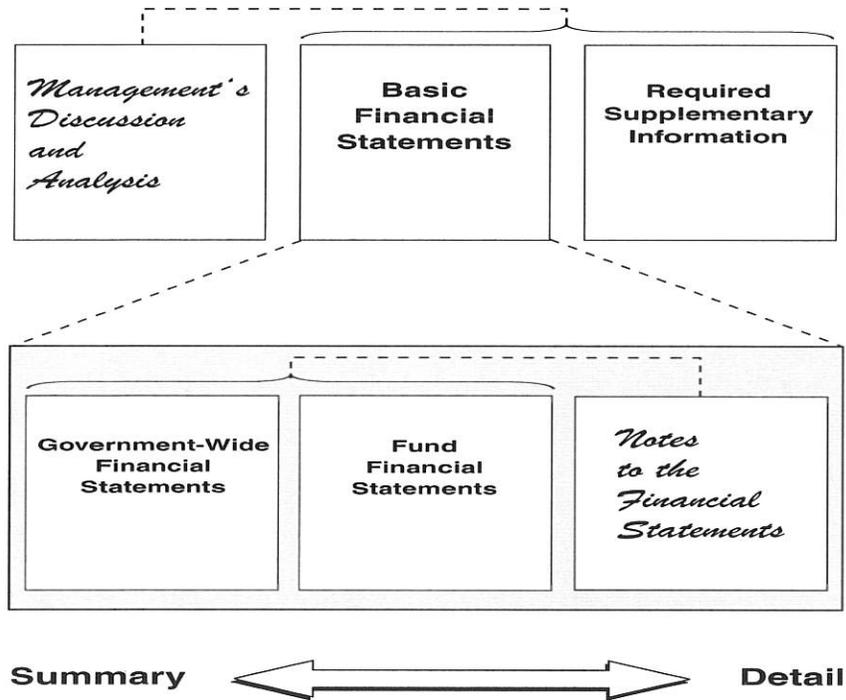
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-1



The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-2

Major Features of the City’s Government-Wide and Fund Financial Statements			
Type of Statements	Government - Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire government (except fiduciary funds) and its component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

This discussion and analysis serves as an introduction to City of Woodville, Texas’ basic financial statements. The City’s basic financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other financial information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 21 - 23 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are classified as *governmental funds* or *proprietary funds*.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on how cash resources flow into and out of those funds and balances remaining at the year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains three individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and the other governmental funds.

The City adopts an annual budget for its general and sanitation funds. A budgetary comparison statement has been provided for the general funds and the sanitation fund to demonstrate compliance with these budgets.

The governmental funds financial statements can be found on pages 25 - 28 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer service and for its gas service.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Proprietary Funds - Continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer funds and for the gas funds, both of which are considered to be major funds of the City of Woodville.

The proprietary funds financial statements can be found on pages 29 - 34 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 35 - 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,076,990 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,073,275	\$ 4,091,367	\$ 11,450,194	\$ 10,663,550	\$ 15,523,469	\$ 14,754,917
Capital assets	1,278,433	1,380,929	7,919,392	8,385,007	9,197,825	9,765,936
Total assets	<u>5,351,708</u>	<u>5,472,296</u>	<u>19,369,586</u>	<u>19,048,557</u>	<u>24,721,294</u>	<u>24,520,853</u>
Deferred outflows of resources	285,497	471,632	92,723	153,866	378,220	625,498
Long-term liabilities	294,141	375,334	3,011,121	3,240,402	3,305,262	3,615,736
Net pension liability	900,366	1,181,846	288,134	368,267	1,188,500	1,550,113
Total OPEB liability	708,904	1,077,235	259,244	308,682	968,148	1,385,917
Other liabilities	70,016	77,880	2,310,624	2,439,386	2,380,640	2,517,266
Total liabilities	<u>1,973,427</u>	<u>2,712,295</u>	<u>5,869,123</u>	<u>6,356,737</u>	<u>7,842,550</u>	<u>9,069,032</u>
Deferred inflows of resources	140,309	125	39,665	39	179,974	164
Net position:						
Net investment in capital assets	1,055,736	1,073,681	4,908,271	5,144,605	5,964,007	6,218,286
Restricted			133,115	133,385	133,115	133,385
Unrestricted	2,467,733	2,157,827	8,512,135	7,567,657	10,979,868	9,725,484
Total net position	<u>\$ 3,523,469</u>	<u>\$ 3,231,508</u>	<u>\$ 13,553,521</u>	<u>\$ 12,845,647</u>	<u>\$ 17,076,990</u>	<u>\$ 16,077,155</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

- The largest portion of the City’s net position (64 percent) represents unrestricted financial resources available for future operations.
- Additionally, a portion of the City’s net position (35 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.
- A portion of the City’s net position (1 percent) represents resources that are subject to external restrictions on how they can be used.
- At the end of the current fiscal year, the City is able to report a positive balance in all three categories of net position.

Analysis of the City’s Operations

The following table provides a summary of the City’s operations for the year ended September 30, 2018. Governmental activities increased the City’s net position by \$353,626 and the business-type activities increased the City’s net position by \$728,069, accounting for the change in net position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 700,392	\$ 678,145	\$ 2,689,688	\$ 2,853,908	\$ 3,390,080	\$ 3,532,053
Operating grants and contributions	26,454	65,109	15,211	21,840	41,665	86,949
Capital grants and contributions			51,320	77,968	51,320	77,968
General Revenues:						
Ad valorem taxes	453,334	433,140			453,334	433,140
Sales taxes	1,083,407	997,100			1,083,407	997,100
Other taxes	207,547	191,177			207,547	191,177
Other revenues	6,900	7,007	91,280	106,156	98,180	113,163
Unrestricted investment earnings	44,961	23,015	120,546	48,667	165,507	71,682
Gain on sale of capital assets		8,274		1,682		9,956
Total revenues	<u>2,522,995</u>	<u>2,402,967</u>	<u>2,968,045</u>	<u>3,110,221</u>	<u>5,491,040</u>	<u>5,513,188</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	450,386	450,459			450,386	450,459
Public safety	971,574	1,107,078			971,574	1,107,078
Highways and streets	234,039	396,291			234,039	396,291
Sanitation	455,895	668,742			455,895	668,742
Culture and recreation	48,104	48,128			48,104	48,128
Interest and fiscal charges	9,371	6,958			9,371	6,958
Water and sewer			1,468,631	1,349,906	1,468,631	1,349,906
Gas			771,345	955,327	771,345	955,327
Total expenses	<u>2,169,369</u>	<u>2,677,656</u>	<u>2,239,976</u>	<u>2,305,233</u>	<u>4,409,345</u>	<u>4,982,889</u>
Change in net position	<u>353,626</u>	<u>(274,689)</u>	<u>728,069</u>	<u>804,988</u>	<u>1,081,695</u>	<u>530,299</u>
Net position, beginning of year	3,231,508	3,506,197	12,845,647	12,040,659	16,077,155	15,546,856
Cumulative effect of change in accounting principle	<u>(61,665)</u>		<u>(20,195)</u>		<u>(81,860)</u>	
Net position, beginning of year, as restated	<u>3,169,843</u>	<u>3,506,197</u>	<u>12,825,452</u>	<u>12,040,659</u>	<u>15,995,295</u>	<u>15,546,856</u>
Net position, end of year	<u>\$ 3,523,469</u>	<u>\$ 3,231,508</u>	<u>\$13,553,521</u>	<u>\$12,845,647</u>	<u>\$17,076,990</u>	<u>\$16,077,155</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

As the City completed the year, its governmental funds, as presented in the balance sheet on page 25, reported *combined* ending fund balances of \$3,925,423, which is a decrease of \$23,383 from last year's total of \$3,948,806. Two percent of the total fund balance, or \$90,789 has been assigned, meaning there are limitations resulting from its intended use. The assigned uses include \$15,792 and \$74,997 for the 2019 budgeted deficits in the General Funds and Sanitation Fund, respectively.

The General Funds are the operating funds of the City. At the end of the current fiscal year, unassigned fund balance of the General Funds was \$3,122,380, which represented 99 percent of total fund balance. As a measure of the General Funds' liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 160 percent of total General Funds expenditures. Refer to page 25 of this report for a more detailed presentation of governmental fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE CITY'S FUNDS - CONTINUED

Proprietary Funds

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

Unrestricted net position of the Water and Sewer Funds at the end of the current fiscal year amounted to \$6,866,989 and the Gas Funds amounted to \$1,645,146. The total increase in net position for the Water and Sewer Funds was \$631,800 and the total increase in net position for the Gas Funds was \$96,269. Other factors concerning these two funds have been addressed in the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, or within restrictions imposed by grantor agencies. The City Council approves the financial plan for revenues and expenditures in all funds. The financial plan for grants is made on a project (grant) basis, spanning more than one year. Appropriations for all projects lapse at the end of a contract period which may not coincide with the fiscal year end of the City.

The budget was not amended during the year. There were no differences between the original budget and the final budget.

Differences between the actual results and the final budget for the General Funds were significant (\$181,500 increase in actual revenues and \$40,341 decrease in actual expenditures) and can be briefly summarized as follows:

- Increase of \$13,077 in ad valorem taxes was primarily due to an increase in current tax collections of \$9,547 and delinquent tax collections of \$3,530.
- Increase of \$108,407 in sales taxes revenue was primarily due to higher sales tax collections than the City anticipated.
- Increase of \$25,547 in other taxes was primarily due to additional motel tax revenue of \$25,029.
- Increase of \$19,212 in investment earnings was primarily due to higher interest rates during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

BUDGETARY HIGHLIGHTS - CONTINUED

- Decrease of \$24,841 in general government expenditures was primarily due to more building maintenance and repairs of \$28,713, less contingency expenditures of \$10,000, less health insurance of \$12,755, less inspection fees of \$4,285, less miscellaneous supplies of \$3,124, less banners of \$3,000 and less dues and memberships of \$2,512.

Differences between the actual results and the final budget for the Sanitation Fund were significant (\$35,376 decrease in actual revenues and \$97,644 decrease in actual expenditures) and can be briefly summarized as follows:

- Decrease of \$45,427 in charges for services was primarily due to less sanitation revenue than anticipated.
- Decrease of \$97,580 in sanitation expenditures was primarily due to less contingency expenditures of \$88,100, more vehicle maintenance and repairs of \$24,395, less salary of \$9,141, less miscellaneous supplies of \$13,351, and less equipment repairs of \$7,693.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$9,197,825 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and machinery and equipment.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
Land	\$ 264,159	\$ 264,159	\$ 37,184	\$ 37,184	\$ 301,343	\$ 301,343
Buildings	794,231	794,231			794,231	794,231
Improvements	3,057,245	3,057,245	22,641,127	19,523,830	25,698,372	22,581,075
Machinery and equipment	2,332,614	2,282,641	515,539	485,590	2,848,153	2,768,231
Construction in progress				3,059,120		3,059,120
Less: accumulated depreciation	(5,169,816)	(5,017,347)	(15,274,458)	(14,720,717)	(20,444,274)	(19,738,064)
Total	\$ 1,278,433	\$ 1,380,929	\$ 7,919,392	\$ 8,385,007	\$ 9,197,825	\$ 9,765,936

Additional information regarding the City's capital assets can be found in the Capital Assets note on pages 49 - 50 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Long-Term Liabilities

At the end of the current fiscal year, the City of Woodville had total long-term liabilities outstanding of \$3,305,262.

	GOVERNMENTAL		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
General obligation bonds			\$ 1,807,489	\$ 1,924,038	\$ 1,807,489	\$ 1,924,038
Capital leases	\$ 222,697	\$ 307,248	1,203,632	1,316,365	1,426,329	1,623,613
Compensated absences	67,001	64,086			67,001	64,086
Transfer station clean-up costs	4,443	4,000			4,443	4,000
Total	\$ 294,141	\$ 375,334	\$ 3,011,121	\$ 3,240,403	\$ 3,305,262	\$ 3,615,737

The City’s total debt decreased by \$310,475 (9 percent) during the current year. As a General Law City, the City of Woodville, Texas is not limited by law in the amount of debt it may issue.

Additional information on the City’s long-term debt and other liabilities can be found in the Long-Term Liabilities note on pages 51 - 53 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

- The unemployment rate for Tyler County decreased from 7.3% in September, 2017 to 6.5% in September, 2018, a decrease of .8% over the year.
- The sales taxes revenue for the fiscal year ended September 30, 2018 was \$1,083,407, an increase of \$86,307 or 9% over fiscal year 2017 totals.

All of these factors were considered in preparing the City of Woodville’s budget for the 2019 fiscal year.

During fiscal year 2018, the assigned and unassigned fund balance in the General Funds increased to \$3,138,172. Of this amount, \$15,792 has been appropriated for spending in the 2019 fiscal year budget.

Water and Sewer rates were not increased for the year ended September 30, 2018. Gas rates are adjusted monthly based on the City’s cost.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of City of Woodville, Texas’ finances for all those with an interest in the City’s finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Woodville, Texas, 400 W. Bluff, Woodville, Texas 75979.

CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 3,339,320	\$ 6,646,829	\$ 9,986,149
Investments	497,165	4,110,423	4,607,588
Receivables:			
Taxes	196,765		196,765
Accounts	1,505,677	347,417	1,853,094
Allowance for uncollectibles	(1,465,652)	(5,982)	(1,471,634)
Restricted cash		351,389	351,389
Restricted investments		118	118
Capital assets (net of accumulated depreciation)	1,278,433	7,919,392	9,197,825
Total assets	5,351,708	19,369,586	24,721,294
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	279,191	90,950	370,141
Deferred outflows related to OPEB	6,306	1,773	8,079
Total deferred outflows of resources	285,497	92,723	378,220
LIABILITIES			
Accounts payable	51,546	132,929	184,475
Accrued interest	4,747	5,113	9,860
Other liabilities	13,723	17,585	31,308
Unearned revenue		1,983,823	1,983,823
Payable from restricted assets:			
Accrued interest		9,033	9,033
Customer meter deposits		162,141	162,141
Noncurrent liabilities:			
Due within one year	153,097	238,113	391,210
Due in more than one year	141,044	2,773,008	2,914,052
Net pension liability	900,366	288,134	1,188,500
Total OPEB liability	708,904	259,244	968,148
Total liabilities	1,973,427	5,869,123	7,842,550
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	140,309	39,665	179,974
Total deferred outflows of resources	140,309	39,665	179,974
NET POSITION			
Net investment in capital assets	1,055,736	4,908,271	5,964,007
Restricted for:			
Retirement of debt		133,115	133,115
Unrestricted	2,467,733	8,512,135	10,979,868
Total net position	\$ 3,523,469	\$ 13,553,521	\$ 17,076,990

The accompanying notes are an integral part of this financial statement.

**CITY OF WOODVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES
Governmental Activities:		
General government	\$ 450,386	\$ 13,550
Public safety	971,574	182,269
Highways and streets	234,039	
Sanitation	455,895	504,573
Culture and recreation	48,104	
Interest and fiscal charges	9,371	
Total governmental activities	2,169,369	700,392
Business-Type Activities:		
Water and sewer	1,468,631	1,852,633
Gas	771,345	837,055
Total business-type activities	2,239,976	2,689,688
Total	\$ 4,409,345	\$ 3,390,080

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
		\$ (436,836)		\$ (436,836)
\$ 16,160		(773,145)		(773,145)
9,886		(224,153)		(224,153)
408		49,086		49,086
		(48,104)		(48,104)
		(9,371)		(9,371)
26,454		(1,442,523)		(1,442,523)
13,832	\$ 51,320		\$ 449,154	449,154
1,379			67,089	67,089
15,211	51,320		516,243	516,243
\$ 41,665	\$ 51,320	(1,442,523)	516,243	(926,280)

General Revenues:

Ad valorem taxes	453,334		453,334
Sales taxes	1,083,407		1,083,407
Other taxes	207,547		207,547
Other revenues	6,900	91,280	98,180
Unrestricted investment earnings	44,961	120,546	165,507
Total general revenues	1,796,149	211,826	2,007,975
Change in net position	353,626	728,069	1,081,695
Net position, beginning of year	3,231,508	12,845,647	16,077,155
Cumulative effect of change in accounting principle	(61,665)	(20,195)	(81,860)
Net position, beginning of year, as restated	3,169,843	12,825,452	15,995,295
Net position, end of year	\$ 3,523,469	\$ 13,553,521	\$ 17,076,990

The accompanying notes are an integral part of this financial statement.

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**CITY OF WOODVILLE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>GENERAL</u>	<u>SANITATION</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 2,595,065	\$ 744,255	\$ 3,339,320
Investments	497,165		497,165
Receivables:			
Taxes	196,765		196,765
Accounts	1,450,443	55,234	1,505,677
Allowance for uncollectibles	<u>(1,464,667)</u>	<u>(985)</u>	<u>(1,465,652)</u>
 Total assets	 <u>\$ 3,274,771</u>	 <u>\$ 798,504</u>	 <u>\$ 4,073,275</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 43,705	\$ 7,841	\$ 51,546
Other liabilities	<u>10,311</u>	<u>3,412</u>	<u>13,723</u>
 Total liabilities	 <u>54,016</u>	 <u>11,253</u>	 <u>65,269</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>82,583</u>		<u>82,583</u>
 Total deferred inflows of resources	 <u>82,583</u>		 <u>82,583</u>
 FUND BALANCES			
Assigned:			
2019 budget deficit	15,792	74,997	90,789
Unassigned	<u>3,122,380</u>	<u>712,254</u>	<u>3,834,634</u>
 Total fund balances	 <u>3,138,172</u>	 <u>787,251</u>	 <u>3,925,423</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,274,771</u>	 <u>\$ 798,504</u>	 <u>\$ 4,073,275</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF WOODVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Total fund balances - governmental funds balance sheet (page 25)	\$ 3,925,423
Amounts reported for governmental activities in the statement of net position (page 21) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,278,433
Certain revenues are unavailable to pay current period expenditures and therefore are not recognized as revenues in the governmental funds.	82,583
Payables for compensated absences which are not due in the current period are not reported in the funds.	(67,001)
The City's deferred outflows of resources related to OPEB plans are not reported in the governmental funds.	6,306
Payables for total OPEB liability which are not due in the current period are not reported in the funds.	(708,904)
Payables for transfer station clean-up costs which are not due in the current period are not reported in the funds.	(4,443)
Payables for long-term capital leases are not due in the current period and therefore are not reported in the governmental funds.	(222,697)
Payable for accrued interest on long-term liabilities which is not due in the current period is not reported in the governmental funds.	(4,747)
The City's deferred outflows of resources related to pension plans are not reported in the governmental funds.	279,191
The City's net pension liability is not reported in the governmental funds	(900,366)
The City's deferred inflows of resources related to pension plans are not reported in the governmental funds.	<u>(140,309)</u>
Net position of governmental activities (page 21)	<u><u>\$ 3,523,469</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WOODVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GENERAL	SANITATION	TOTAL GOVERNMENTAL FUNDS
Revenues			
Ad valorem taxes	\$ 453,077		\$ 453,077
Sales taxes	1,083,407		1,083,407
Other taxes	207,547		207,547
Licenses and permits	13,550		13,550
Fines and forfeitures	168,530		168,530
Charges for services		\$ 504,573	504,573
Intergovernmental	26,046	408	26,454
Investment earnings	34,312	10,649	44,961
Other revenues	6,631	269	6,900
	<hr/>		
Total revenues	1,993,100	515,899	2,508,999
<hr/>			
Expenditures			
Current:			
General government	421,820		421,820
Public safety	1,082,183		1,082,183
Highways and streets	332,583		332,583
Sanitation		557,446	557,446
Culture and recreation	45,269		45,269
Debt Service:			
Principal	62,208	22,343	84,551
Interest and fiscal changes	5,737	2,793	8,530
	<hr/>		
Total expenditures	1,949,800	582,582	2,532,382
<hr/>			
Net change in fund balances	43,300	(66,683)	(23,383)
Fund balances, beginning of year	3,094,872	853,934	3,948,806
<hr/>			
Fund balances, end of year	\$ 3,138,172	\$ 787,251	\$ 3,925,423
<hr/> <hr/>			

The accompanying notes are an integral part of this financial statement.

**CITY OF WOODVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds (page 27)	\$ (23,383)
Amounts reported for governmental activities in the statement of activities (pages 22 - 23) are different because:	
Capital outlays are not reported as expenses in the statement of activities.	49,973
The depreciation of capital assets used in governmental activities is not reported in the funds.	(152,469)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,996
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.	(2,915)
Decrease in total OPEB liability is reported as the amount earned in the statement of activities but as the amount paid in the funds.	436,302
Amount represents the change in transfer station clean-up costs from the beginning of the period to the end of the period.	(443)
Repayment of capital lease principal is an expenditure in the funds but is not an expense on the statement of activities.	84,551
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	(841)
The City's recognition of its pension plan expense is not reported in the funds.	(193,521)
Contributions to TMRS made before the measurement date, December 31, 2017, but during fiscal year 2018 are expenditures in the funds, but not expenses in the statement of activities.	45,679
Contributions to TMRS made after the measurement date, December 31, 2017, are required to be reported as deferred outflows of resources in the statement of net position, not expenses in the statement of activities.	152,234
The amortization of deferred outflows and deferred inflows for TMRS is included in pension expense in the statement of activities, but not in the funds.	<u>(55,537)</u>
Change in net position of governmental activities (page 23)	<u><u>\$ 353,626</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,850,296	\$ 1,796,533	\$ 6,646,829
Investments	4,110,338	85	4,110,423
Receivables:			
Accounts	215,632	131,785	347,417
Allowance for uncollectibles	(3,445)	(2,537)	(5,982)
Due from other funds	5		5
Total current assets	9,172,826	1,925,866	11,098,692
Noncurrent assets:			
Restricted assets:			
Restricted cash and cash equivalents	305,901	45,488	351,389
Restricted investments	118		118
Total restricted assets	306,019	45,488	351,507
Capital assets (net of accumulated depreciation)	7,054,231	865,161	7,919,392
Total noncurrent assets	7,360,250	910,649	8,270,899
Total assets	16,533,076	2,836,515	19,369,591
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	57,217	33,733	90,950
Deferred outflows related to OPEB	1,255	518	1,773
Total deferred outflows of resources	58,472	34,251	92,723
LIABILITIES			
Current liabilities:			
Accounts payable	90,435	42,494	132,929
Accrued interest	3,409	1,704	5,113
Other liabilities	11,467	6,118	17,585
Due to other funds	5		5
Capital leases - current	77,710	38,855	116,565
Unearned revenue	1,983,823		1,983,823
Total current liabilities	2,166,849	89,171	2,256,020

The accompanying notes are an integral part of this financial statement.

CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
LIABILITIES - CONTINUED			
Current liabilities payable from restricted assets:			
General obligation bonds - current	121,548		121,548
Accrued interest	9,033		9,033
Customer meter deposits	53,357	108,784	162,141
Total current liabilities payable from restricted assets	183,938	108,784	292,722
Noncurrent liabilities:			
General obligation bonds - long-term	1,685,941		1,685,941
Capital leases - long-term	724,712	362,355	1,087,067
Net pension liability	172,164	115,970	288,134
Total OPEB liability	185,637	73,607	259,244
Total noncurrent liabilities	2,768,454	551,932	3,320,386
Total liabilities	5,119,241	749,887	5,869,128
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	27,883	11,782	39,665
Total deferred inflows of resources	27,883	11,782	39,665
NET POSITION			
Net investment in capital assets	4,444,320	463,951	4,908,271
Restricted for retirement of debt	133,115		133,115
Unrestricted	6,866,989	1,645,146	8,512,135
Total net position	\$ 11,444,424	\$ 2,109,097	\$ 13,553,521

The accompanying notes are an integral part of this financial statement.

**CITY OF WOODVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
Operating Revenues:			
Charges for services	\$ 1,852,633	\$ 837,055	\$ 2,689,688
Operating Expenses:			
Personnel services	323,216	119,873	443,089
Contractual services	281,887	38,975	320,862
Materials and supplies	118,253	25,751	144,004
Cost of services		508,628	508,628
Depreciation	495,389	58,352	553,741
Repairs and maintenance	165,813	3,109	168,922
Bad debts	2,945	1,922	4,867
Other expenses		(20)	(20)
Total operating expenses	1,387,503	756,590	2,144,093
Operating income	465,130	80,465	545,595
Nonoperating Revenues (Expenses):			
Investment earnings	94,166	26,380	120,546
Intergovernmental	13,832	1,379	15,211
Other revenues	88,480	2,800	91,280
Interest and fiscal charges	(81,128)	(14,755)	(95,883)
Total nonoperating revenues (expenses)	115,350	15,804	131,154
Income before contributions and transfers	580,480	96,269	676,749
Contributions and Transfers:			
Capital contributions	51,320		51,320
Total contributions and transfers	51,320		51,320
Change in net position	631,800	96,269	728,069
Net position, beginning of year	10,825,604	2,020,043	12,845,647
Cumulative effect of change in accounting principle	(12,980)	(7,215)	(20,195)
Net position, beginning of year, as restated	10,812,624	2,012,828	12,825,452
Net position, end of year	\$ 11,444,424	\$ 2,109,097	\$ 13,553,521

The accompanying notes are an integral part of this financial statement.

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**CITY OF WOODVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,859,462	\$ 770,906	\$ 2,630,368
Payments to suppliers	(753,075)	(573,069)	(1,326,144)
Payments to employees	(345,010)	(145,407)	(490,417)
Net cash provided by operating activities	<u>761,377</u>	<u>52,430</u>	<u>813,807</u>
Cash flows from noncapital financing activities:			
Intergovernmental	13,832	1,379	15,211
Other nonoperating revenues	153,624	2,800	156,424
Net cash provided by noncapital financing activities	<u>167,456</u>	<u>4,179</u>	<u>171,635</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(58,177)	(29,949)	(88,126)
Principal payments on long-term debt	(185,156)	(37,577)	(222,733)
Interest and fiscal charges on long-term debt	(88,729)	(14,916)	(103,645)
Capital grants received	94,392		94,392
Net cash used in capital and related financing activities	<u>(237,670)</u>	<u>(82,442)</u>	<u>(320,112)</u>
Cash flows from investing activities:			
Purchase of investments	(4,110,338)		(4,110,338)
Investment maturities	1,629,400	245,071	1,874,471
Investment earnings	94,166	26,380	120,546
Net cash provided by (used in) investing activities	<u>(2,386,772)</u>	<u>271,451</u>	<u>(2,115,321)</u>
Net increase (decrease) in cash and cash equivalents	(1,695,609)	245,618	(1,449,991)
Cash and cash equivalents, beginning of year	<u>6,851,806</u>	<u>1,596,403</u>	<u>8,448,209</u>
Cash and cash equivalents, end of year	<u>\$ 5,156,197</u>	<u>\$ 1,842,021</u>	<u>\$ 6,998,218</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF WOODVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 465,130	\$ 80,465	\$ 545,595
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	495,389	58,352	553,741
(Increase) decrease in accounts receivable - net	10,339	(54,179)	(43,840)
Decrease in deferred outflows related to pensions	39,480	21,663	61,143
Increase (decrease) in accounts payable	(187,122)	3,374	(183,748)
Increase (decrease) in other liabilities	338	(7,127)	(6,789)
(Decrease) in customer meter deposits	(565)	(1,590)	(2,155)
(Decrease) in net pension liability	(56,339)	(23,794)	(80,133)
(Decrease) in total OPEB liability	(33,131)	(36,502)	(69,633)
Increase in deferred inflows related to pensions	27,858	11,768	39,626
Total adjustments	296,247	(28,035)	268,212
Net cash provided by operating activities	\$ 761,377	\$ 52,430	\$ 813,807

The accompanying notes are an integral part of this financial statement.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies

The City of Woodville, Texas (City) operates under Section 4, Article XI of the Texas constitution as a general law, Type A city. The City operates under a Council-Manager form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basic operations of the City are financed by ad valorem taxes, sales taxes, other taxes, licenses and permits, fines and forfeitures, charges for services, investment earnings and other revenues. The City receives federal, state and local grant funds to finance specific programs.

(A) Reporting Entity

The financial reporting entity consists of the primary government and all component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. After considering the above, there are no other agencies, organizations, or activities meeting the criteria to be included in the financial reporting entity.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(B) Government-Wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

(C) Measurements Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims or judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Property taxes, franchise taxes, licenses and interest earnings are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Funds* comprise the City's operating fund. It accounts for all financial resources of the general government.

The *Sanitation Fund* accounts for the solid waste services to the residents of the City and some residents of the County.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(C) Measurements Focus, Basis of Accounting and Financial Statement Presentation - Continued

The City reports the following major proprietary funds:

The *Water and Sewer Funds* account for the provision of water and sewer services to the residents of the City, and some residents of the County. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, production, maintenance, financing and related debt service, and billings and collections.

The *Gas Funds* account for the activities related to the provision of gas services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, billing and collections.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal balances between the City's restricted and unrestricted assets. Elimination of these balances would distort the assets for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utility enterprise funds and of the gas enterprise fund are charges to customers for sales and services. The water and sewer utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and money market mutual funds.

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

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

The City invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool and are qualified to advise the TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. Investments are stated at amortized cost, which approximates fair value.

2. Receivables and Payables

The City believes that additional details of certain receivable and payable balances in the financial statements are needed to avoid the obscuring of significant components by aggregation. Therefore, disclosures are provided to disaggregate significant balances in note (3)(C).

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities and Net Assets or Equity - Continued

2. Receivables and Payables - Continued

There are no significant receivables which are not scheduled for collection within one year of year end.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance for uncollectibles is based on an aging of past due accounts and historical collections. The property tax receivable allowance is equal to 75% of outstanding taxes for the General Fund at September 30, 2018.

Property taxes are levied by October 1, and are due on receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. The City has entered into a contract with Tyler County Tax Assessor-Collector for the billing and collection of City property taxes.

The City is permitted by the Local Government Code to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services and the payment of principal and interest on long-term debt for the year ended September 30, 2018 was 0.3823 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2018 was \$448,582, and \$424,813 was collected for a current collection rate of 95%.

3. Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities and Net Assets or Equity - Continued

4. Restricted Assets

Restricted assets include cash and investments of the proprietary funds that are legally restricted as to their use. The primary restricted assets are related to debt retirement, meter deposits, and construction activity of the Water and Sewer enterprise funds.

5. Capital Assets

Capital assets, which include property, plant, equipment, improvements and infrastructure assets (e.g. streets and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Buildings, improvements, machinery and equipment and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	9 - 30
Improvements/infrastructure	10 - 30
Machinery and equipment	5 - 10

6. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary fund statements of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities and Net Assets or Equity - Continued

6. Deferred Outflows and Inflows of Resources - Continued

For the year ended September 30, 2018, the City has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The City reports the deferred outflows and inflows related to the net pension liability and total OPEB liability on the government-wide and proprietary fund statements of net position. Those items are detailed in Note (3)(H) and Note (3)(I). On the governmental funds balance sheet, unavailable revenue is reported as deferred inflows of resources. Those items are detailed in Note (3)(F).

7. Compensated Absences

The City accounts for expenditures related to sick pay when such payments are made to employees as amounts do not vest. Employees are allowed to accumulate sick time from year to year but are not paid for unused sick leave upon termination. The City accounts for all material liabilities and expenditures related to vacation pay during the fiscal year in which such benefits accrue. Employees may carry forward at the calendar year end vacation benefits accrued in the previous calendar year. Any additional balance lapses at January 1 of the following calendar year.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities and Net Assets or Equity - Continued

9. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

10. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for the other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose.

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018**

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, and Net Assets or Equity - Continued

11. Net Position and Fund Balance Flow Assumption

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

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

12. 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. The City purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustaining through member contributions. The Fund reinsures through commercial companies for claims in excess of \$1,000,000. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. The City pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, the City is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool. The members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premiums. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to cover its liabilities.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, and Net Assets or Equity - Continued

12. Risk Management - Continued

The City maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool, a self-insurance pool created by its members to provide various coverages to participating members. Excess insurance is purchased to provide additional financial stability to the Pool. Catastrophic losses that exceed the Pool's self-insured retention are secured by excess insurance purchased from domestic A-rated companies. The Pool's retention is \$10,000,000 per occurrence in excess of member deductibles for property and auto physical damage insurance and \$10,000,000 per occurrence for liability insurance. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the coverage during each of the past three fiscal years.

13. Use of Estimates

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

14. Statement of Cash Flows

For the purpose of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

15. Pensions

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies - Continued

(D) Assets, Liabilities, and Net Assets or Equity - Continued

16. New Accounting Standard Adopted

The City implemented GASB Statement No. 75, "Accounting and Financial Reporting and Postemployment Benefit Plans Other than Pensions". This statement was issued in June 2015 and was effective for fiscal years beginning after June 15, 2017. The City has implemented the provisions of this statement for the year ended September 30, 2018. See Note (3)(M) for more information.

(2) Stewardship, Compliance and Accountability

(A) Budgetary Information

The City Administrator annually submits a proposed operating budget for the fiscal year ending September 30. After a public hearing on the proposed budget, the official budget is approved by the City Council in September preceding the applicable fiscal year. Generally, City policy provides for the following:

1. Budget amendments are required prior to the expenditure of funds for positions or activities not included in the original budget.
2. Transfers to a line item which were not in the original budget must be approved.

The budget was not amended by the City Council during the year ended September 30, 2018. Unexpended appropriations lapse at the end of the fiscal year.

(B) Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38 "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(2) Stewardship, Compliance and Accountability - Continued

(B) Compliance and Accountability - Continued

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

(3) Detailed Notes on All Funds

(A) Cash and Investments

At September 30, 2018, the City's carrying amount for cash deposits including certificates of deposit was \$4,301,846 and the bank balance was \$4,394,470. The City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's agent bank in the City's name.

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (Act), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires a review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The City is in substantial compliance with the requirements of the Act and with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) commercial paper, and (11) interest-bearing accounts.

Fair values at September 30, 2018 were obtained from Patterson & Associates.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(A) Cash and Investments - Continued

The City's investments at September 30, 2018 were held by the City, Frost Bank and TexPool and consisted of the following:

INVESTMENTS, INVESTMENT TYPE	AMOUNT	RATING	MATURITY
Debt Securities:			
U.S. Treasuries:			
U. S. Treasury Notes	\$ 2,118,835		10/15/18 - 7/31/19
U. S. Treasury Bills	498,261		11/29/18
Government Sponsored Enterprises:			
Federal Home Loan Mortgage Corp Note	497,707	Moody's Aaa	11/30/19
Federal National Mortgage Association Notes	996,297	Moody's Aaa	12/12/18 - 2/26/19
Federal Home Loan Bank Note	496,403	Moody's Aaa	5/24/19
Asset-Backed Securities:			
FHLMC Multiclass Mortgage Participation Certificates, Series 1208	203	Unrated	2/15/22
Cash Equivalents:			
TexPool	<u>6,034,893</u>	S&P AAAM	
Total investments	<u>\$ 10,642,599</u>		

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy does not limit its investment in asset backed securities, fixed income government issues, or money market mutual funds based on credit ratings. Ratings at September 30, 2018 are shown in the table above.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not place a limit on the amount that can be invested in one issuer. Investments issued by the U.S. government and external investment pools are excluded from this disclosure by GASB 40. At September 30, 2018, more than 5 percent of the City's investments were in Federal National Mortgage Association Notes, which totaled 9.36% of investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy does not limit investment maturities. Maturities of the debt and asset-backed securities are shown in the table above. The weighted average maturity for TexPool is 28 days.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(A) Cash and Investments - Continued

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Recurring fair value measurements of the City's investments are as follows at September 30, 2018:

U.S. Treasuries of \$2,617,096 are valued using quoted market prices (Level 1 inputs).

Government sponsored enterprises of \$1,990,407 are valued using quoted market prices (Level 1 inputs).

Asset-backed securities of \$203 are valued using quoted market prices (Level 1 inputs).

There are no nonrecurring fair value measurements.

(B) Restricted Assets

The restricted assets consist of cash, cash equivalents and investments, and are limited to the payment of bonds, meter deposits and construction project costs as follows:

	CASH AND CASH EQUIVALENTS	INVESTMENTS	TOTAL
Enterprise Funds:			
Meter deposits	\$ 87,811		\$ 87,811
Bond reserve	263,578	\$ 118	263,696
Total restricted assets	\$ 351,389	\$ 118	\$ 351,507

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(C) Interfund Balances and Activities

1. Due From and To Other Funds

Due from and to other funds at September 30, 2018, consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
Water and Sewer Funds	Water and Sewer Funds	\$ 5	Grant advance
	Total	<u>\$ 5</u>	

2. Transfers From and To Other Funds

There were no transfers from and to other funds during the year ended September 30, 2018.

(D) Capital Assets

Capital asset activity for the year ended September 30, 2018 is as follows:

	BALANCE OCTOBER 1, 2017	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2018
Governmental activities: Capital assets not being depreciated:				
Land	\$ 264,159			\$ 264,159
Total capital assets not being depreciated	<u>264,159</u>			<u>264,159</u>
Depreciable assets:				
Buildings	794,231			794,231
Improvements/infrastructure	3,057,245			3,057,245
Machinery and equipment	2,282,641	\$ 49,973		2,332,614
Total depreciable assets	6,134,117	49,973		6,184,090
Less accumulated depreciation	<u>(5,017,347)</u>	<u>(152,469)</u>		<u>(5,169,816)</u>
Total capital assets being depreciated, net	<u>1,116,770</u>	<u>(102,496)</u>		<u>1,014,274</u>
Governmental activities capital assets, net	<u>\$ 1,380,929</u>	<u>\$ (102,496)</u>		<u>\$ 1,278,433</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets - Continued

	BALANCE OCTOBER 1, 2017	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 37,184			\$ 37,184
Construction in progress	3,059,120		\$ (3,059,120)	
Total capital assets not being depreciated	<u>3,096,304</u>		<u>(3,059,120)</u>	<u>37,184</u>
Depreciable assets:				
Improvements	19,523,830	\$ 3,117,297		22,641,127
Machinery and equipment	485,590	29,949		515,539
Total depreciable assets	20,009,420	3,147,246		23,156,666
Less accumulated depreciation	<u>(14,720,717)</u>	<u>(553,741)</u>		<u>(15,274,458)</u>
Total capital assets being depreciated, net	<u>5,288,703</u>	<u>2,593,505</u>		<u>7,882,208</u>
Business-type activities capital assets, net	<u>\$ 8,385,007</u>	<u>\$ 2,593,505</u>	<u>\$ (3,059,120)</u>	<u>\$ 7,919,392</u>

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

Governmental activities:	
General government	\$ 26,416
Public safety	67,482
Highways and streets	20,827
Sanitation	34,909
Culture and recreation	<u>2,835</u>
Total governmental activities	<u>\$ 152,469</u>
Business-type activities:	
Water and Sewer funds	\$ 495,389
Gas funds	<u>58,352</u>
Total business-type activities	<u>\$ 553,741</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(E) Long-term Liabilities

1. General Obligation Bonds Payable

\$2,110,000 Series 2015 General Obligation Refunding Bonds due in annual installments of \$85,000 to \$350,000 through August 1, 2030; interest at 0.55% to 3.15%.

\$ 1,730,000

Total general obligation bonds payable

\$ 1,730,000

The principal and interest requirements for general obligation bonds are as follows:

YEARS ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 115,000	\$ 54,200	\$ 169,200
2020	120,000	49,600	169,600
2021	125,000	46,000	171,000
2022	130,000	42,250	172,250
2023	135,000	38,675	173,675
2024 - 2028	755,000	133,575	888,575
2029 - 2030	350,000	17,887	367,887
Total	<u>\$ 1,730,000</u>	<u>\$ 382,187</u>	<u>\$ 2,112,187</u>

2. Capital Leases

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2018, as follows:

For The Year Ending September 30,	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
2018	\$ 93,081	\$ 157,477	\$ 250,558
2020	93,081	157,477	250,558
2021	25,136	157,477	182,613
2022	25,136	157,477	182,613
2023		157,477	157,477
2024-2027		629,908	629,908
Total minimum lease payments	236,434	1,417,293	1,653,727
Less amount representing interest	(13,737)	(213,661)	(227,398)
Present value of minimum lease payments	<u>\$ 222,697</u>	<u>\$ 1,203,632</u>	<u>\$ 1,426,329</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(E) Long-term Liabilities - Continued

2. Capital Leases - Continued

The interest rates on capital leases for governmental activities were 2.98% and 3.35% and business-type activities was 3.39%. For governmental activities, assets acquired by capital lease consist of machinery and equipment of \$430,092 less accumulated depreciation of \$94,815. For business-type activities, assets acquired by capital leases consist of improvements of \$1,856,317 less accumulated depreciation of \$371,263. The capital leases are payable from future revenues in the General Fund for governmental activities and the Water and Sewer Funds and Gas Funds for business-type activities.

Interest expense on bonds payable and capital leases for governmental activities was \$9,374, and \$102,131 for business-type activities.

Amortization of leased machinery and equipment and improvements is included with depreciation expense.

3. Changes in Long-term Liabilities

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities					
Capital leases payable	\$ 307,248		\$ 84,551	\$ 222,697	\$ 86,096
Compensated absences	64,086	\$ 67,001	64,086	67,001	67,001
Transfer station clean-up costs	4,000	443		4,443	
Total governmental activities long-term liabilities	<u>\$ 375,334</u>	<u>\$ 67,444</u>	<u>\$ 148,637</u>	<u>\$ 294,141</u>	<u>\$ 153,097</u>
Business-type activities					
General obligation bonds	\$ 1,840,000		\$ 110,000	\$ 1,730,000	\$ 115,000
General obligation bonds premium	84,038		6,549	77,489	6,548
Capital leases payable	1,316,365		112,733	1,203,632	116,565
Total business-type activities long-term liabilities	<u>\$ 3,240,403</u>		<u>\$ 229,282</u>	<u>\$ 3,011,121</u>	<u>\$ 238,113</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(E) Long-term Liabilities - Continued

4. Debt Issuance Costs

In accordance with Statement No. 65 of the Governmental Accounting Standards Board, debt issuance costs, except for any portion related to prepaid issuance costs, should be recognized as an expense in the period incurred.

(F) Deferred Inflows of Resources

Deferred inflows of resources at September 30, 2018 consisted of the following:

	AMOUNT
Governmental Funds:	
Unavailable ad valorem taxes	\$ 24,634
Unavailable fines and forfeitures	57,949
Total deferred inflows of resources	\$ 82,583

(G) Restricted Net Position

Restricted net position reflects amounts that are restricted for retirement of debt as required by various bond covenants. At September 30, 2018, restricted net position of business-type activities consisted of the following:

	WATER AND SEWER FUNDS	
	BOND	
	RESERVE	TOTAL
Restricted assets:		
Cash and cash equivalents	\$ 263,578	\$ 263,578
Investments	118	118
Total restricted assets	263,696	263,696
Liabilities payable from restricted assets:		
General obligation bonds - current maturities	115,000	115,000
General obligation bonds premium - current maturities	6,548	6,548
Accrued interest	9,033	9,033
Total liabilities payable from restricted assets	130,581	130,581
Restricted net position September 30, 2018	\$ 133,115	\$ 133,115

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

1. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years. The contribution rate for the employees is 7%, and the City's matching percent is currently 2 to 1, both adopted by the governing body of the City.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

2. Benefits Provided - Continued

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>33</u>
Total employees covered by benefit terms	<u><u>58</u></u>

3. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.59% and 17.26% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$254,254, and were equal to the required contributions.

4. Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2017, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Actuarial assumptions

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, the rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for health annuitants and Annuity Purchase Rates (APR) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Actuarial assumptions - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	<u>100.0%</u>	

Discount Rate

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Changes in the Net Pension Liability

The following table shows the changes in total pension liability, plan fiduciary net position and net pension liability for the period between the measurement dates.

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(a)	(b)	(a) - (b)
Balance at December 31, 2016	\$ 7,479,499	\$ 5,929,386	\$ 1,550,113
Changes for the year:			
Service cost	249,206		249,206
Interest	507,136		507,136
Change of benefit terms			
Difference between expected and actual experience	54,539		54,539
Changes of assumptions			
Contributions - employer		250,565	(250,565)
Contributions - employee		105,724	(105,724)
Net investment income		820,680	(820,680)
Benefit payments, including refunds of employee contributions	(181,949)	(181,949)	
Administrative expense		(4,259)	4,259
Other changes		(216)	216
Net changes	628,932	990,545	(361,613)
Balance at December 31, 2017	\$ 8,108,431	\$ 6,919,931	\$ 1,188,500

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

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

	1% DECREASE IN DISCOUNT RATE (5.75%)	DISCOUNT RATE (6.75%)	1% INCREASE IN DISCOUNT RATE (7.75%)
City's net pension	\$ 2,426,099	\$ 1,188,500	\$ 180,227

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$326,206.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 171,446	
Changes in actuarial assumptions	4,824	
Difference between projected and actual investment earnings		\$ 179,974
Contributions subsequent to the measurement date	193,871	
Total	\$ 370,141	\$ 179,974

The \$193,871 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

PLAN YEAR ENDED DECEMBER 31,	
2018	\$ 69,037
2019	42,728
2020	(44,940)
2021	(71,705)
2023	1,176
Total	\$ (3,704)

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

1. Retiree Health Benefits Plan

A. Plan Description

The City administers a single-employer defined benefit OPEB plan, the Retiree Health Benefits Plan (the Plan). In accordance with the ordinance enacted by the City Council, the Plan provides health and life benefits coverage for eligible City retirees. The benefit and eligibility provisions of the Plan were established by ordinance and may be amended by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides healthcare and life insurance benefits for non-Medicare-eligible retirees. The benefit terms provide for the payment of 100% of premiums for medical, dental and life insurance. The medical premiums for retirees are an amount equal to 195% of the rate for active employees. The life insurance benefit is \$2,000 with a optional life insurance benefit up to \$10,000 if the employee had optional life coverage while employed.

The Plan was closed to new entrants effective March 12, 2012 as a result of the City Council repealing the ordinance to provide retiree health benefits.

Employees covered by benefit terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>19</u>
Total employees covered by benefit terms	<u><u>22</u></u>

B. Total OPEB Liability

The City's total OPEB liability of \$871,689 was measured as of September 30, 2018 and was determined by an alternative measurement method (AMM) calculation as of that date. The AMM is permitted by GASB Statement No. 75 for employers in plans with fewer than one hundred total plan members.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

1. Retiree Health Benefits Plan - Continued

B. Total OPEB Liability - Continued

Actuarial assumptions and other inputs

The total OPEB liability in the September 30, 2018 AAM calculation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year
Projected salary increases	3.00% per year
Discount rate	3.64%
Employer future premium contribution	Remain a level % of the total cost over time
Healthcare cost trend rates:	Range between 3.00% and 4.80% for fiscal years 2018 through 2028

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index. Mortality rates were based on the RP2000 Mortality Table for Males and Females Projected 18 years. The turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System. The healthcare cost trend rates were developed consistent with the Getzen model promulgated by the Society of Actuaries.

Changes in the Total OPEB Liability

	<u>TOTAL OPEB LIABILITY</u>
Balance at September 30, 2017	<u>\$ 1,385,917</u>
Changes for the year:	
Service cost	53,896
Interest	64,063
Changes of assumptions or other inputs	(599,463)
Benefit payments	<u>(32,724)</u>
Net changes	<u>(514,228)</u>
Balance at September 30, 2018	<u><u>\$ 871,689</u></u>

The changes of assumptions and other inputs reflects a change in the discount rate from 4.50% at September 30, 2017 to 3.64% at September 30, 2018.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

1. Retiree Health Benefits Plan - Continued

B. Total OPEB Liability - Continued

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability, calculated using the discount rate of 3.64%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (2.64%) or 1-percent higher (4.64%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (2.64%)	DISCOUNT RATE (3.64%)	1% INCREASE IN DISCOUNT RATE (4.64%)
Total OPEB liability	\$ 989,361	\$ 871,689	\$ 775,447

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability using the assumed healthcare cost trend rate, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% percent less or 1% higher than the assumed healthcare cost trend rate:

	1% DECREASE IN HEALTHCARE COST TREND RATE	CURRENT HEALTHCARE COST TREND RATE	1% INCREASE IN HEALTHCARE COST TREND RATE
Total OPEB liability	\$ 796,101	\$ 871,689	\$ 962,269

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

For the year ended September 30, 2018, the City recognized negative OPEB expense of \$481,504. At September 30, 2018, the City did not report any deferred outflows of resources or deferred inflows of resources as a result of the measurement date and the reporting date being the same as well as utilization of the AMM.

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

2. Supplemental Death Benefits Fund

A. Plan Description

The City also participates in the defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating cities may elect to provide group-term life insurance coverage for active employees including or not including retirees. The City has elected, by ordinance, to provide group-term life insurance coverage to both active employees and retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. Since the SDBF does not meet the definition of a trust under GASB Statement No. 75, it is considered to be a single-employer defined benefit OPEB plan.

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

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retirees are insured for \$7,500. The benefit payments are paid to designated beneficiaries upon receipt of an approved application for payment by TMRS.

Employees covered by benefit terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	3
Active employees	33
Total employees covered by benefit terms	47

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

2. Supplemental Death Benefits Fund - Continued

B. Total OPEB Liability

The City's total OPEB liability of \$96,459 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Projected salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, the rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2017.

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

2. Supplemental Death Benefits Fund - Continued

B. Total OPEB Liability - Continued

Changes in the Total OPEB Liability

	TOTAL OPEB LIABILITY
Balance at December 31, 2016	\$ 84,288
Changes for the year:	
Service cost	3,474
Interest	3,232
Changes of assumptions or other inputs	6,522
Benefit payments	(1,057)
Net changes	12,171
Balance at December 31, 2017	\$ 96,459

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 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (2.31%) or 1-percent higher (4.31%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (2.31%)	DISCOUNT RATE (3.31%)	1% INCREASE IN DISCOUNT RATE (4.31%)
Total OPEB liability	\$ 112,623	\$ 96,458	\$ 83,370

C. Pension 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 \$7,731. 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
Changes in assumptions or other inputs	\$ 5,496	
Contributions subsequent to the measurement date	2,583	
Total	\$ 8,079	

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

2. Supplemental Death Benefits Fund - Continued

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

The \$2,583 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>FOR THE PLAN YEAR ENDING DECEMBER 31,</u>	
2018	\$ 1,025
2019	1,025
2020	1,025
2021	1,025
2023	1,025
Thereafter	<u>371</u>
Total	<u><u>\$ 5,496</u></u>

(K) Commitments

1. Letter of Credit

The Texas Commission on Environmental Quality requires the City to obtain a letter of credit for the purposes of funding the clean-up of the City’s transfer station in the event that the City is unable to cover these costs. The City entered into a letter of credit dated August 24, 2018 for \$5,000 with Citizens State Bank, with an interest rate of 7.0% that matures on August 24, 2019. As of the date of this report, there have been no draws against the letter of credit.

2. Contingencies

The City participates in grant programs which 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 money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2018**

(3) Detailed Notes on All Funds - Continued

(K) Commitments - Continued

3. Lease Commitment

The City accounted for non-cancelable lease agreements for copiers as operating leases. Future minimum lease payments as of September 30, 2018 are as follows:

FOR THE YEAR ENDING SEPTEMBER 30,	
2019	\$ 3,687
2020	3,687
2021	3,687
2022	614
Total	\$ 11,675

Rental expenditures for the City’s copier leases totaled \$3,687.

4. Litigation

No reportable litigation was pending against the City at September 30, 2018.

(L) Water Procurement and Supply Agreement

The City has entered into a water procurement and supply agreement with East Texas Electric Cooperative (ETEC) dated November 15, 2010. The City agreed to make available to ETEC all of its treated effluent from the City’s waste water treatment plant up to one million gallons per day and a right of first refusal for amounts in excess of one million gallons per day. In consideration, ETEC agreed to pay up to a maximum of \$2,659,478 for the construction of a new groundwater well in the vicinity of the Pine Street elevated tower for the City subject to the terms of the agreement. ETEC will use the treated effluent water in the operation of its biomass-fired electrical generating facility located two miles south of Woodville, Texas. The term of the agreement is for 30 years. The project has been delayed from the estimated completion dates in Schedule 1 of the water procurement and supply agreement.

As of September 30, 2018, the City has spent \$2,367,039 on the new ground water well construction project and received \$2,294,256 from ETEC for reimbursement to date. During the year ended September 30, 2018, the City recognized revenue of \$60,651 relating to the water procurement and supply agreement in other nonoperating revenues of the Water and Sewer Funds. At September 30, 2018, the amount of unearned revenue related to this agreement was \$1,983,823.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

(3) Detailed Notes on All Funds - Continued

(M) Change in Accounting Principle

Effective October 1, 2017, the City implemented GASB Statement No. 75, as discussed in Note (1)(D). This statement requires numerous new OPEB disclosures and two new required supplementary information schedules. Also, the City is required to report deferred outflows of resources, deferred inflows of resources and a total OPEB liability as well as recognize OPEB expense. The City amounts reported and recognized are the City's deferred outflows of resources, deferred inflows of resources, total OPEB liability and OPEB expense of the SDBF and Retiree Health Benefits Plan. The City reported a cumulative effect of a change in accounting principle as a result of the implementation of this statements. The effect of the change was a reduction in net position at October 1, 2017 on the government-wide Statement of Activities for governmental and business-type activities of \$61,665 and \$20,195, respectively. The reduction in net position on the proprietary fund statements was \$12,980 and 7,215 for the Water and Sewer and Gas funds, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CITY OF WOODVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Ad valorem taxes	\$ 440,000	\$ 440,000	\$ 453,077	\$ 13,077
Sales taxes	975,000	975,000	1,083,407	108,407
Other taxes	182,000	182,000	207,547	25,547
Licenses and permits	11,000	11,000	13,550	2,550
Fines and forfeitures	176,000	176,000	168,530	(7,470)
Intergovernmental	7,500	7,500	26,046	18,546
Investment earnings	15,100	15,100	34,312	19,212
Other revenues	5,000	5,000	6,631	1,631
Total revenues	<u>1,811,600</u>	<u>1,811,600</u>	<u>1,993,100</u>	<u>181,500</u>
Expenditures				
Current:				
General government	446,661	446,661	421,820	24,841
Public safety	1,084,030	1,084,030	1,082,183	1,847
Highways and streets	340,700	340,700	332,583	8,117
Culture and recreation	50,750	50,750	45,269	5,481
Debt Service:				
Principal	62,250	62,250	62,208	42
Interest and fiscal changes	5,750	5,750	5,737	13
Total expenditures	<u>1,990,141</u>	<u>1,990,141</u>	<u>1,949,800</u>	<u>40,341</u>
Net change in fund balances	(178,541)	(178,541)	43,300	221,841
Fund balances, beginning of year	<u>3,094,872</u>	<u>3,094,872</u>	<u>3,094,872</u>	
Fund balances, end of year	<u>\$ 2,916,331</u>	<u>\$ 2,916,331</u>	<u>\$ 3,138,172</u>	<u>\$ 221,841</u>

See accompanying independent auditor's report on required supplementary information.

CITY OF WOODVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Charges for services	\$ 550,000	\$ 550,000	\$ 504,573	\$ (45,427)
Intergovernmental			408	408
Investment earnings	1,000	1,000	10,649	9,649
Other revenues	275	275	269	(6)
	<hr/>			
Total revenues	551,275	551,275	515,899	(35,376)
<hr/>				
Expenditures				
Current:				
Sanitation	655,026	655,026	557,446	97,580
Debt Service:				
Principal	22,400	22,400	22,343	57
Interest and fiscal changes	2,800	2,800	2,793	7
	<hr/>			
Total expenditures	680,226	680,226	582,582	97,644
	<hr/>			
Net change in fund balances	(128,951)	(128,951)	(66,683)	62,268
Fund balances, beginning of year	853,934	853,934	853,934	
	<hr/>			
Fund balances, end of year	\$ 724,983	\$ 724,983	\$ 787,251	\$ 62,268
	<hr/>			

See accompanying independent auditor's report on required supplementary information.

CITY OF WOODVILLE, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
SEPTEMBER 30, 2018

The City Administrator annually submits a proposed operating budget for the fiscal year ending September 30. After a public hearing on the proposed budget, the official budget is approved by the City Council in September preceding the applicable fiscal year. Generally, City policy provides for the following:

1. Budget amendments are required prior to the expenditure of funds for positions or activities not included in the original budget.
2. Transfers to a line item which were not in the original budget must be approved.

The budget was not amended by the City Council during the year ended September 30, 2018. Unexpended appropriations lapse at the end of the fiscal year.

At September 30, 2018, there were no expenditures that exceeded appropriations in any legally adopted budget.

CITY OF WOODVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 249,206	\$ 249,347	\$ 219,594	\$ 192,039
Interest (on the total pension liability)	507,136	461,421	437,111	402,566
Changes of benefit terms				
Difference between expected and actual experience	54,539	144,302	84,726	54,176
Change of assumptions			13,046	
Benefit payments, including refunds of employee contributions	(181,949)	(173,514)	(182,350)	(155,771)
Net change in total pension liability	628,932	681,556	572,127	493,010
Total pension liability - beginning	7,479,499	6,797,943	6,225,816	5,732,806
Total pension liability - ending (a)	<u>\$ 8,108,431</u>	<u>\$ 7,479,499</u>	<u>\$ 6,797,943</u>	<u>\$ 6,225,816</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 250,565	\$ 236,910	\$ 222,004	\$ 202,798
Contributions - employee	105,724	106,170	99,235	91,704
Net investment income	820,680	364,672	7,755	277,201
Benefit payments, including refunds of employee contributions	(181,949)	(173,514)	(182,350)	(155,771)
Administrative expenses	(4,259)	(4,121)	(4,726)	(2,894)
Other	(216)	(222)	(233)	(238)
Net change in plan fiduciary net position	990,545	529,895	141,685	412,800
Plan fiduciary net position - beginning	5,929,386	5,399,491	5,257,806	4,845,006
Plan fiduciary net position - ending (b)	<u>\$ 6,919,931</u>	<u>\$ 5,929,386</u>	<u>\$ 5,399,491</u>	<u>\$ 5,257,806</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,188,500</u>	<u>\$ 1,550,113</u>	<u>\$ 1,398,452</u>	<u>\$ 968,010</u>
Plan fiduciary net position as a percentage of total pension liability	85.34%	79.28%	79.43%	84.45%
Covered payroll	\$ 1,510,340	\$ 1,516,712	\$ 1,417,648	\$ 1,310,064
Net pension liability as a percentage of covered payroll	78.69%	102.20%	98.65%	73.89%

The amounts presented for each fiscal year were determined as of the measurement date which is December 31 of the prior year.

Note: Only four years of data are presented in accordance with GASB Statement No. 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

See accompanying independent auditor's report on required supplementary information.

**CITY OF WOODVILLE, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 254,254	\$ 245,181	\$ 247,269	\$ 214,479
Contributions in relation to the actuarially determined contribution	<u>254,254</u>	<u>245,181</u>	<u>247,269</u>	<u>214,479</u>
Contribution deficiency (excess)				
Covered employee payroll	\$1,484,551	\$1,503,547	\$1,581,971	\$1,373,839
Contributions as a percentage of covered payroll	17.13%	16.31%	15.63%	15.61%

Note: GASB Statement No. 68, paragraph 46 requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of January 1 - December 31.

Note: Only four years of data are presented in accordance with GASB Statement No. 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

See accompanying independent auditor's report on required supplementary information.

CITY OF WOODVILLE, TEXAS
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS AND SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2018

Valuation Date

Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

There were no benefit changes during the year.

See accompanying independent auditor's report on required supplementary information.

CITY OF WOODVILLE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2018
Total OPEB Liability	
Service cost	\$ 3,474
Interest	3,232
Changes of benefit terms	
Difference between expected and actual experience	
Change of assumptions	6,522
Benefit payments	(1,057)
Net change in total OPEB liability	12,171
Total OPEB liability - beginning	84,288
Total OPEB liability - ending	\$ 96,459
Covered-employee payroll	\$ 1,510,340
Total OPEB liability as a percentage of covered-employee payroll	6.39%

The amounts presented for each fiscal year were determined as of the measurement date which is December 31 of the prior year.

Note: Only one year of data is presented in accordance with GASB Statement No. 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Notes to Schedule:

Changes of benefit terms: There were no benefit changes during the year.

Other information: No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

See accompanying independent auditor's report on required supplementary information.

CITY OF WOODVILLE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH BENEFITS PLAN
LAST TEN FISCAL YEARS

	2018
Total OPEB Liability	
Service cost	\$ 53,896
Interest	64,063
Changes of benefit terms	
Difference between expected and actual experience	
Change of assumptions	(599,463)
Benefit payments	(32,724)
Net change in total OPEB liability	(514,228)
Total OPEB liability - beginning	1,385,917
Total OPEB liability - ending	\$ 871,689
Covered-employee payroll	\$ 1,020,719
Total OPEB liability as a percentage of covered-employee payroll	85.40%

Note: Only one year of data is presented in accordance with GASB Statement No. 75, paragraph 245. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

Notes to Schedule:

Changes of benefit terms: There were no benefit changes during the year.

Changes of assumptions: The changes of assumptions and other inputs reflects a change in the discount rate from 4.50% at September 30, 2017 to 3.64% at September 30, 2018.

Other information: No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

**INDIVIDUAL FUND STATEMENTS AND OTHER
SUPPLEMENTARY INFORMATION**

ENTERPRISE FUNDS

Water and Sewer Funds - These funds are used to account for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, production, maintenance, financing and related debt service, and billing and collections.

Gas Funds - These funds are used to account for the provision of gas services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, billing and collections.

WATER AND SEWER ENTERPRISE FUNDS

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**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
WATER AND SEWER ENTERPRISE FUNDS**

	SEPTEMBER 30,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,850,296	\$ 6,550,038
Investments	4,110,338	1,629,302
Receivables:		
Accounts	215,632	226,562
Intergovernmental		43,072
Allowance for uncollectibles	(3,445)	(4,036)
Due from other funds	5	5
Total current assets	9,172,826	8,444,943
Noncurrent assets:		
Restricted assets:		
Restricted cash and cash equivalents	305,901	301,768
Restricted investments	118	216
Total restricted assets	306,019	301,984
Capital assets (net of accumulated depreciation)	7,054,231	7,491,443
Total noncurrent assets	7,360,250	7,793,427
Total assets	16,533,076	16,238,370
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	57,217	97,952
Deferred outflows related to OPEB	1,255	
Total deferred outflows of resources	58,472	97,952
LIABILITIES		
Current liabilities:		
Accounts payable	90,435	277,557
Accrued interest	3,409	3,728
Other liabilities	11,467	11,129
Due to other funds	5	5
Capital leases - current	77,710	75,156
Unearned revenue	1,983,823	1,918,679
Total current liabilities	2,166,849	2,286,254

See accompanying independent auditor's report on other financial information.

**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
WATER AND SEWER ENTERPRISE FUNDS - CONTINUED**

	SEPTEMBER 30,	
	2018	2017
LIABILITIES - CONTINUED		
Current liabilities payable from restricted assets:		
General obligation bonds - current	121,548	116,548
Accrued interest	9,033	9,767
Customer meter deposits	53,357	53,922
Total current liabilities payable from restricted assets	183,938	180,237
Noncurrent liabilities:		
General obligation bonds - long-term	1,685,941	1,807,489
Capital leases - long-term	724,712	802,422
Net pension liability	172,164	228,503
Total OPEB liability	185,637	205,788
Total noncurrent liabilities	2,768,454	3,044,202
Total liabilities	5,119,241	5,510,693
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	27,883	25
Total deferred inflows of resources	27,883	25
NET POSITION		
Net investment in capital assets	4,444,320	4,689,828
Restricted for retirement of debt	133,115	133,375
Restricted for construction		10
Unrestricted	6,866,989	6,002,391
Total net position	\$ 11,444,424	\$ 10,825,604

See accompanying independent auditor's report on other financial information.

**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
WATER AND SEWER ENTERPRISE FUNDS**

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Charges for services	\$ 1,852,633	\$ 1,850,998
Operating Expenses:		
Personnel services	323,216	334,576
Contractual services	281,887	267,523
Materials and supplies	118,253	123,504
Depreciation	495,389	481,748
Repairs and maintenance	165,813	51,874
Bad debts	2,945	1,965
Other expenses		1,207
Total operating expenses	<u>1,387,503</u>	<u>1,262,397</u>
Operating income	<u>465,130</u>	<u>588,601</u>
Nonoperating Revenues (Expenses):		
Investment earnings	94,166	40,523
Intergovernmental	13,832	21,840
Gain on sale of capital assets		1,682
Other revenues	88,480	104,966
Interest and fiscal charges	(81,128)	(87,509)
Total nonoperating revenues (expenses)	<u>115,350</u>	<u>81,502</u>
Income before contributions and transfers	<u>580,480</u>	<u>670,103</u>
Contributions and Transfers:		
Capital contributions	<u>51,320</u>	<u>77,968</u>
Total contributions and transfers	<u>51,320</u>	<u>77,968</u>
Change in net position	<u>631,800</u>	<u>748,071</u>
Net position, beginning of year	10,825,604	10,077,533
Cumulative effect of change in accounting principle	<u>(12,980)</u>	
Net position, beginning of year, as restated	<u>10,812,624</u>	<u>10,077,533</u>
Net position, end of year	<u>\$ 11,444,424</u>	<u>\$ 10,825,604</u>

See accompanying independent auditor's report on other financial information.

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CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUNDS

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2018	2017
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,859,462	\$ 1,865,739
Payments to suppliers	(753,075)	(328,967)
Payments to employees	(345,010)	(340,703)
	<hr/>	<hr/>
Net cash provided by operating activities	761,377	1,196,069
	<hr/>	<hr/>
Cash flows from noncapital financing activities:		
Intergovernmental	13,832	21,840
Other nonoperating revenues	153,624	1,154,002
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	167,456	1,175,842
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(58,177)	(1,404,306)
Proceeds from sale of capital assets		1,682
Principal payments on long-term debt	(185,156)	(167,684)
Interest and fiscal charges on long-term debt	(88,729)	(95,000)
Capital grants received	94,392	117,328
	<hr/>	<hr/>
Net cash used in capital and related financing activities	(237,670)	(1,547,980)
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchase of investments	(4,110,338)	(1,629,302)
Investment maturities	1,629,400	495,247
Investment earnings	94,166	40,523
	<hr/>	<hr/>
Net cash used in investing activities	(2,386,772)	(1,093,532)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,695,609)	(269,601)
Cash and cash equivalents, beginning of year	6,851,806	7,121,407
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 5,156,197	\$ 6,851,806
	<hr/>	<hr/>

See accompanying independent auditor's report on other financial information.

**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUNDS - CONTINUED**

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 465,130</u>	<u>\$ 588,601</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	495,389	481,748
(Increase) decrease in accounts receivable - net	10,339	(31,833)
Decrease in other receivables		48,254
(Increase) decrease in deferred outflows related to pensions	39,480	(920)
Increase (decrease) in accounts payable	(187,122)	115,141
Increase (decrease) in other liabilities	338	(609)
Increase (decrease) in customer meter deposits	(565)	285
Increase (decrease) in net pension liability	(56,339)	23,705
(Decrease) in total OPEB liability	(33,131)	(28,328)
Increase in deferred inflows related to pensions	<u>27,858</u>	<u>25</u>
Total adjustments	<u>296,247</u>	<u>607,468</u>
Net cash provided by operating activities	<u>\$ 761,377</u>	<u>\$ 1,196,069</u>

See accompanying independent auditor's report on other financial information.

GAS ENTERPRISE FUNDS

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**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
GAS ENTERPRISE FUNDS**

	SEPTEMBER 30,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,796,533	\$ 1,550,964
Investments	85	245,156
Receivables:		
Accounts	131,785	76,251
Allowance for uncollectibles	(2,537)	(1,182)
Total current assets	1,925,866	1,871,189
Noncurrent assets:		
Restricted assets:		
Restricted cash and cash equivalents	45,488	45,439
Total restricted assets	45,488	45,439
Capital assets (net of accumulated depreciation)	865,161	893,564
Total noncurrent assets	910,649	939,003
Total assets	2,836,515	2,810,192
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	33,733	55,914
Deferred outflows related to OPEB	518	
Total deferred outflows of resources	34,251	55,914
LIABILITIES		
Current liabilities:		
Accounts payable	42,494	39,120
Accrued interest	1,704	1,865
Other liabilities	6,118	13,245
Capital leases - current	38,855	37,577
Total current liabilities	89,171	91,807

See accompanying independent auditor's report on other financial information.

**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
GAS ENTERPRISE FUNDS**

	SEPTEMBER 30,	
	2018	2017
LIABILITIES - CONTINUED		
Current liabilities payable from restricted assets:		
Customer meter deposits	108,784	110,374
Total current liabilities payable from restricted assets	108,784	110,374
Noncurrent liabilities:		
Capital leases - long-term	362,355	401,210
Net pension liability	115,970	139,764
Total OPEB liability	73,607	102,894
Total noncurrent liabilities	551,932	643,868
Total liabilities	749,887	846,049
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	11,782	14
Total deferred inflows of resources	11,782	14
NET POSITION		
Net investment in capital assets	463,951	454,777
Unrestricted	1,645,146	1,565,266
Total net position	\$ 2,109,097	\$ 2,020,043

See accompanying independent auditor's report on other financial information.

**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
GAS ENTERPRISE FUNDS**

	FOR THE YEAR ENDED SEPTEMBER 30,	
	2018	2017
Operating Revenues:		
Charges for services	\$ 837,055	\$ 1,002,910
Operating Expenses:		
Personnel services	119,873	200,545
Contractual services	38,975	36,253
Materials and supplies	25,751	26,039
Cost of services	508,628	616,504
Depreciation	58,352	58,317
Repairs and maintenance	3,109	1,976
Bad debts	1,922	(302)
Other expenses	(20)	
	756,590	939,332
Total operating expenses		
Operating income	80,465	63,578
Nonoperating Revenues (Expenses):		
Investment earnings	26,380	8,144
Intergovernmental	1,379	
Other revenues	2,800	1,190
Interest and fiscal charges	(14,755)	(15,995)
	15,804	(6,661)
Total nonoperating revenues (expenses)		
Change in net position	96,269	56,917
Net position, beginning of year	2,020,043	1,963,126
Cumulative effect of change in accounting principle	(7,215)	
Net position, beginning of year, as restated	2,012,828	1,963,126
Net position, end of year	\$ 2,109,097	\$ 2,020,043

See accompanying independent auditor's report on other financial information.

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**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
GAS ENTERPRISE FUNDS**

	FOR THE YEAR ENDED SEPTEMBER 30,	
	2018	2017
Cash flows from operating activities:		
Receipts from customers and users	\$ 770,906	\$ 1,018,207
Payments to suppliers	(573,069)	(688,839)
Payments to employees	(145,407)	(181,287)
	52,430	148,081
Cash flows from noncapital financing activities:		
Intergovernmental	1,379	
Other nonoperating revenues	2,800	1,190
	4,179	1,190
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(29,949)	(17,180)
Principal payments on long-term debt	(37,577)	(36,344)
Interest and fiscal charges on long-term debt	(14,916)	(16,149)
	(82,442)	(69,673)
Cash flows from investing activities:		
Purchase of investments		(245,000)
Investment maturities	245,071	245,120
Investment earnings	26,380	8,144
	271,451	8,264
Net increase in cash and cash equivalents	245,618	87,862
Cash and cash equivalents, beginning of year	1,596,403	1,508,541
Cash and cash equivalents, end of year	\$ 1,842,021	\$ 1,596,403

See accompanying independent auditor's report on other financial information.

**CITY OF WOODVILLE
COMPARATIVE STATEMENTS OF CASH FLOWS
GAS ENTERPRISE FUNDS**

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 80,465</u>	<u>\$ 63,578</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	58,352	58,317
(Increase) decrease in accounts receivable - net	(54,179)	17,431
(Increase) decrease in deferred outflows related to	21,663	(959)
Increase (decrease) in accounts payable	3,374	(8,067)
(Decrease) in other liabilities	(7,127)	(350)
(Decrease) in customer meter deposits	(1,590)	(755)
Increase (decrease) in net pension liability	(23,794)	13,195
Increase (decrease) in total OPEB liability	(36,502)	5,677
Increase in deferred inflows related to pensions	<u>11,768</u>	<u>14</u>
Total adjustments	<u>(28,035)</u>	<u>84,503</u>
Net cash provided by operating activities	<u><u>\$ 52,430</u></u>	<u><u>\$ 148,081</u></u>

See accompanying independent auditor's report on other financial information.

CITY OF WOODVILLE, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT - GLO 12-593-000-6891
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Award
 Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas General Land Office
 CFDA Number: 14.228
 Contract Number: GLO 12-593-000-6891
 Contract Period: November 26, 2012 to December 31, 2018

	BUDGET	FEDERAL		LOCAL MATCH		TOTAL
		PRIOR YEARS	CURRENT YEAR	PRIOR YEARS	CURRENT YEAR	
Revenues:						
Federal	\$ 753,337	\$ 698,939	\$ 51,320			\$ 750,259
Local match						
Total revenues	<u>753,337</u>	<u>698,939</u>	<u>51,320</u>			<u>750,259</u>
Expenditures:						
Federal:						
Water facilities - water well/water line phase 1	692,429	688,031	3,720			691,751
Water facilities - water well/water line SCADA phase 2	50,000		47,600			47,600
Acquisition	<u>10,908</u>	<u>10,908</u>				<u>10,908</u>
Total expenditures	<u>753,337</u>	<u>698,939</u>	<u>51,320</u>			<u>750,259</u>
Excess revenues over expenditures						

See independent auditor's report on additional information.

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COMPLIANCE SECTION

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Glenda J. Hiers, CPA
Richard A. Rudel, CPA
Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Susan L. Murrell, CPA



ALEXANDER LANKFORD & HIERS, INC.
Certified Public Accountants, A Professional Corporation

4000 S. Medford Drive
Lufkin, Texas 75901

Wilbur E. Alexander, CPA
(1940-2009)
Ted A. Lankford, CPA
(Retired)

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

To the Honorable Mayor and Members of
the City Council
City of Woodville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Woodville, Texas (City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Woodville, Texas' basic financial statements, and have issued our report thereon dated February 25, 2019.

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 of Woodville, Texas' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Internal Control Over Financial Reporting - Continued

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
February 25, 2019