CITY OF WOODVILLE, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2017

CITY OF WOODVILLE, TEXAS
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SEPTEMBER 30, 2017

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CITY OF WOODVILLE, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2017

Russ Nalley . . . . . Mayor

Mandy Risinger. . . . . City Administrator

Terri Bible. . . . . City Secretary

CITY COUNCIL

Joyce Wilson

Amy Bythewood

Janice Weatherford

Lee P. Mann

Byron L. Stowe

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FINANCIAL SECTION

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Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA

Wilbur E. Alexander, CPA
(1940 - 2009)

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Jennifer L. Webster, CPA
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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, 2017, 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.

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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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for retiree health insurance plan, schedule of changes in net pension liability and related ratios and schedule of contributions on pages 11 through 20 and 69 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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.

Report on the Financial Statements - Continued

Other Matters - Continued

Other Information - Continued

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 23, 2018 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 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 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.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
February 23, 2018

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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, 2017. 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 at the close of the most recent fiscal year by $16,077,155 (net position). Of this amount, $9,725,484 (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 $530,299. This is due primarily to Water and Sewer Funds increase in net position of $748,071.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,948,806, a decrease of $54,623 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 $2,916,331 and $724,983, respectively for a total of $3,641,314. These fund balances represent 154 percent and 104 percent of total expenditures of the General and Sanitation Funds, respectively.

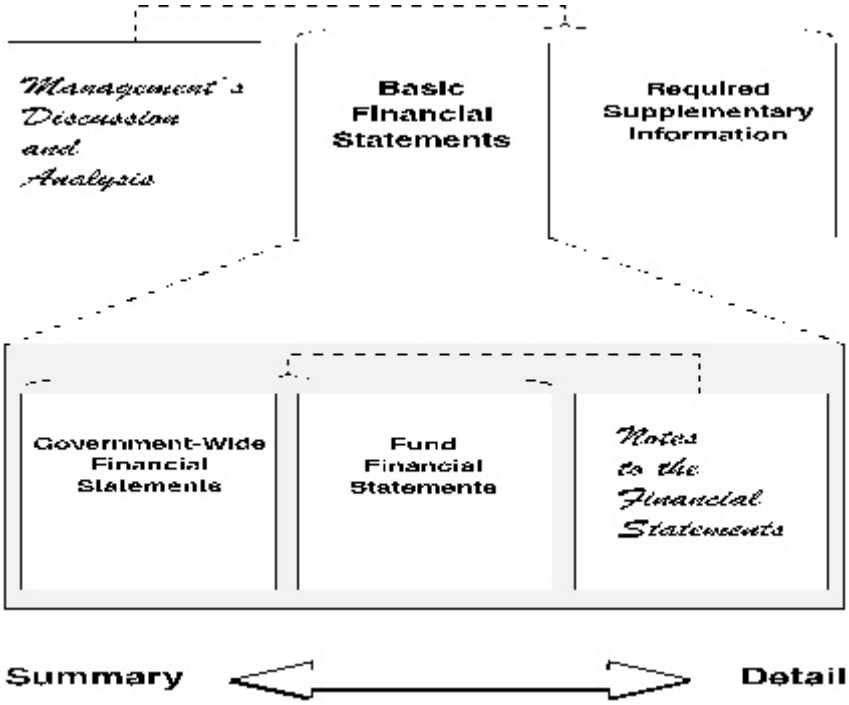
- The City's total debt decreased by $78,046 during the fiscal year. The key factors in this decrease were retirement of $95,000 of general obligation bonds, issuance of $115,000 of capital leases, retirement of $169,434 of capital leases, increase in net OPEB obligation of $76,456, increase in long-term compensated absences of $1,480, and amortization of bond premiums of $6,548.

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:

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.

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-2

Major Features of the City's Government-Wide and Fund Financial Statements

		Fund Statements	
Type of Statements	**Government - Wide 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.

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.

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 - 65 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 $16,077,155 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 4,091,367	$ 4,212,752	$ 10,663,550	$ 9,784,566	$ 14,754,917	$ 13,997,318
Capital assets	1,380,929	1,331,626	8,385,007	7,503,586	9,765,936	8,835,212
Total assets	5,472,296	5,544,378	19,048,557	17,288,152	24,520,853	22,832,530
Deferred outflows of resources	471,632	464,850	153,866	151,987	625,498	616,837
Long-term liabilities	1,452,569	1,297,388	3,549,084	3,782,312	5,001,653	5,079,700
Net pension liability	1,181,846	1,067,085	368,267	331,367	1,550,113	
Other liabilities	77,880	138,558	2,439,386	1,285,801	2,517,266	1,424,359
Total liabilities	2,712,295	2,503,031	6,356,737	5,399,480	9,069,032	6,504,059
Deferred inflows of resources	125		39		164	
Net position:						
Net investment in capital assets	1,073,681	1,078,972	5,144,605	4,052,607	6,218,286	5,131,579
Restricted			133,385	146,620	133,385	146,620
Unrestricted	2,157,827	2,427,225	7,567,657	7,841,432	9,725,484	10,268,657
Total net position	$ 3,231,508	$ 3,506,197	$ 12,845,647	$ 12,040,659	$ 16,077,155	$ 15,546,856

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

- The largest portion of the City's net position (sixty percent) represents unrestricted financial resources available for future operations.

- Additionally, a portion of the City's net position (thirty-nine percent) reflects its investment in capital assets (e.g., 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 (one 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, 2017. Governmental activities decreased the City's net position by $274,689 and the business-type activities increased the City's net position by $804,988, accounting for the change in net position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	$ 678,145	$ 744,550	$ 2,853,908	$ 2,677,906	$ 3,532,053	$ 3,422,456
Operating grants and contributions	65,109	12,088	21,840		86,949	12,088
Capital grants and contributions			77,968	517,063	77,968	517,063
General Revenues:						
Ad valorem taxes	433,140	421,236			433,140	421,236
Sales taxes	997,100	1,014,872			997,100	1,014,872
Other taxes	191,177	183,001			191,177	183,001
Other revenues	7,007	17,549	106,156	158,936	113,163	176,485
Unrestricted investment earnings	23,015	10,696	48,667	20,939	71,682	31,635
Gain on sale of capital assets	8,274		1,682		9,956	
Transfers		9		(9)		
Total revenues	2,402,967	2,404,001	3,110,221	3,374,835	5,513,188	5,778,836

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Expenses:						
General government	450,459	480,194			450,459	480,194
Public safety	1,107,078	1,198,578			1,107,078	1,198,578
Highways and streets	396,291	354,822			396,291	354,822
Sanitation	668,742	547,037			668,742	547,037
Culture and recreation	48,128	46,962			48,128	46,962
Interest and fiscal charges	6,958	8,226			6,958	8,226
Water and sewer			1,349,906	1,412,140	1,349,906	1,412,140
Gas			955,327	846,970	955,327	846,970
Total expenses	2,677,656	2,635,819	2,305,233	2,259,110	4,982,889	4,894,929
Change in net position	(274,689)	(231,818)	804,988	1,115,725	530,299	883,907
Net position, beginning of year	3,506,197	3,738,015	12,040,659	10,924,934	15,546,856	14,662,949
Net position, end of year	$ 3,231,508	$ 3,506,197	$ 12,845,647	$ 12,040,659	$ 16,077,155	$ 15,546,856

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 balance*s 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 $3,948,806, which is a decrease of $54,623 from last year's total of $4,003,429. Eight percent of the total fund balance, or $307,492 has been assigned, meaning there are limitations resulting from its intended use. The assigned uses include $178,541 and $128,951 for the 2018 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 $2,916,331, which represented 94 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 154 percent of total General Funds expenditures. Refer to page 25 of this report for a more detailed presentation of governmental fund balances.

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 $6,002,391 and the Gas Funds amounted to $1,565,266. The total increase in net position for the Water and Sewer Funds was $748,071 and the total increase in net position for the Gas Funds was $56,917. 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 amended once during the year. Differences between the original budget and the final budget were not significant for revenues and expenditures (no change in projected revenues and a $16,000 increase in projected expenditures).

Differences between the actual results and the final budget for the General Funds were significant ($23,725 decrease in actual revenues and $193,772 decrease in actual expenditures) and can be briefly summarized as follows:

- Decrease of $24,205 in ad valorem taxes was primarily due to adjustments to the original tax levy.

- Decrease of $32,900 in sales taxes revenue was primarily due to lower sales tax collections than the City anticipated.

- Decrease of $48,924 in fines and forfeitures was primarily due to officers issued fewer citations resulting in lower fine revenue than anticipated.

- Increase of $57,609 in intergovernmental revenues was primarily due to FEMA disaster relief grants of $41,192 and a grant for the police department of $12,474.

BUDGETARY HIGHLIGHTS - CONTINUED

- Decrease of $52,010 in general government expenditures was primarily due to less building maintenance and repairs of $22,116, less contingency expenditures of $10,000, less miscellaneous supplies of $4,264 and less telephone of $4,020.

- Decrease of $61,620 in public safety expenditures was primarily due to less miscellaneous supplies of $10,087 for the Fire Department and less overtime of $13,013, less miscellaneous supplies of $5,482, less TMRS retirement of $4,394, less telephone of $3,587 and less workers compensation of $3,238 for the Police Department.

- Decrease of $74,662 in highways and streets expenditures was primarily due to less capital outlay expenditures of $90,310, less electricity of $13,343, less miscellaneous supplies of $8,022, less equipment repairs of $5,914, and more construction costs and engineering fees of $46,305.

Differences between the actual results and the final budget for the Sanitation Fund were significant for actual revenues ($42,319 decrease in actual revenues) but were not significant for actual expenditures and can be briefly summarized as follows:

- Decrease of $46,145 in charges for services was primarily due to less sanitation revenue than anticipated.

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, 2017 amounts to $9,765,936 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and machinery and equipment.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
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	3,047,555	19,523,830	19,523,830	22,581,075	22,571,385
Machinery and equipment	2,282,641	2,144,549	485,590	444,577	2,768,231	2,589,126
Construction in progress			3,059,120	1,695,441	3,059,120	1,695,441
Less: accumulated depreciation	(5,017,347)	(4,918,868)	(14,720,717)	(14,197,446)	(19,738,064)	(19,116,314)
Total	$ 1,380,929	$ 1,331,626	$ 8,385,007	$ 7,503,586	$ 9,765,936	$ 8,835,212

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

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 $5,001,654.

	GOVERNMENTAL		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
General obligation bonds			$ 1,924,038	$ 2,025,586	$ 1,924,038	$ 2,025,586
Capital leases	$ 307,248	$ 252,654	1,316,365	1,425,393	1,623,613	1,678,047
Compensated absences	64,086	$ 62,606			64,086	62,606
Net OPEB obligation	1,077,235	978,128	308,682	331,333	1,385,917	1,309,461
Transfer station clean-up costs	4,000	4,000			4,000	4,000
Total	$ 1,452,569	$ 1,297,388	$ 3,549,085	$ 3,782,312	$ 5,001,654	$ 5,079,700

The City's total debt decreased by $78,046 (2 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 increased from 8.2% in September, 2016 to 7.3% in September, 2017, a decrease of 0.9% over the year.

- The sales taxes revenue for the fiscal year ended September 30, 2017 was $997,100, a decrease of $17,772 or 2% under fiscal year 2016 totals.

All of these factors were considered in preparing the City of Woodville's budget for the 2018 fiscal year.

During fiscal year 2017, the assigned and unassigned fund balance in the General Funds increased to $3,094,872. Of this amount, $178,541 has been appropriated for spending in the 2018 fiscal year budget.

Water and Sewer rates were not increased for the year ended September 30, 2017. 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, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 3,358,957	$ 8,101,002	$ 11,459,959
Investments	501,979	1,874,458	2,376,437
Receivables:			
Taxes	202,094		202,094
Accounts	1,163,548	302,813	1,466,361
Intergovernmental		43,072	43,072
Allowance for uncollectibles	(1,135,211)	(5,218)	(1,140,429)
Restricted cash		347,207	347,207
Restricted investments		216	216
Capital assets (net of accumulated depreciation)	1,380,929	8,385,007	9,765,936
Total assets	5,472,296	19,048,557	24,520,853
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	471,632	153,866	625,498
Total deferred outflows of resources	471,632	153,866	625,498
LIABILITIES			
Accounts payable	61,033	316,677	377,710
Accrued interest	3,906	5,593	9,499
Other liabilities	12,941	24,374	37,315
Unearned revenue		1,918,679	1,918,679
Payable from restricted assets:			
Accrued interest		9,767	9,767
Customer meter deposits		164,296	164,296
Noncurrent liabilities:			
Due within one year	148,637	229,281	377,918
Due in more than one year	1,303,932	3,319,803	4,623,735
Net pension liability	1,181,846	368,267	1,550,113
Total liabilities	2,712,295	6,356,737	9,069,032
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	125	39	164
Total deferred outflows of resources	125	39	164
NET POSITION			
Net investment in capital assets	1,073,681	5,144,605	6,218,286
Restricted for:			
Retirement of debt		133,375	133,375
Construction		10	10
Unrestricted	2,157,827	7,567,657	9,725,484
Total net position	$ 3,231,508	$ 12,845,647	$ 16,077,155

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

CITY OF WOODVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES
Governmental Activities:		
General government	$ 450,459	$ 15,135
Public safety	1,107,078	159,155
Highways and streets	396,291	
Sanitation	668,742	503,855
Culture and recreation	48,128	
Interest and fiscal charges	6,958	
Total governmental activities	2,677,656	678,145
Business-Type Activities:		
Water and sewer	1,349,906	1,850,998
Gas	955,327	1,002,910
Total business-type activities	2,305,233	2,853,908
Total	$ 4,982,889	$ 3,532,053

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
		$ (435,324)		$ (435,324)
$ 23,917		(924,006)		(924,006)
41,192		(355,099)		(355,099)
		(164,887)		(164,887)
		(48,128)		(48,128)
		(6,958)		(6,958)
65,109		(1,934,402)		(1,934,402)
21,840	$ 77,968		$ 600,900	600,900
			47,583	47,583
21,840	77,968		648,483	648,483
$ 86,949	$ 77,968	(1,934,402)	648,483	(1,285,919)
General Revenues:				
Ad valorem taxes		433,140		433,140
Sales taxes		997,100		997,100
Other taxes		191,177		191,177
Other revenues		7,007	106,156	113,163
Unrestricted investment earnings		23,015	48,667	71,682
Gain on sale of capital assets		8,274	1,682	9,956
Total general revenues		1,659,713	156,505	1,816,218
Change in net position		(274,689)	804,988	530,299
Net position, beginning of year		3,506,197	12,040,659	15,546,856
Net position, end of year		$ 3,231,508	$ 12,845,647	$ 16,077,155

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, 2017

	GENERAL	SANITATION	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 2,550,292	$ 808,665	$ 3,358,957
Investments	501,979		501,979
Receivables:			
Taxes	202,094		202,094
Accounts	1,105,252	58,296	1,163,548
Allowance for uncollectibles	(1,134,173)	(1,038)	(1,135,211)
Total assets	$ 3,225,444	$ 865,923	$ 4,091,367
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 52,378	$ 8,655	$ 61,033
Other liabilities	9,607	3,334	12,941
Total liabilities	61,985	11,989	73,974
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	68,587		68,587
FUND BALANCES			
Assigned:			
2018 budget deficit	178,541	128,951	307,492
Unassigned	2,916,331	724,983	3,641,314
Total fund balances	3,094,872	853,934	3,948,806
Total liabilities, deferred inflows of resources and fund balances	$ 3,225,444	$ 865,923	$ 4,091,367

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, 2017

Total fund balances - governmental funds balance sheet (page 25)	$ 3,948,806
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.	1,380,929
Certain revenues are unavailable to pay current period expenditures and therefore are not recognized as revenues in the governmental funds.	68,587
Payables for compensated absences which are not due in the current period are not reported in the funds.	(64,086)
Payables for net OPEB obligations which are not due in the current period are not reported in the funds.	(1,077,235)
Payables for transfer station clean-up costs which are not due in the current period are not reported in the funds.	(4,000)
Payables for long-term capital leases are not due in the current period and therefore are not reported in the governmental funds.	(307,248)
Payable for accrued interest on long-term liabilities which is not due in the current period is not reported in the governmental funds.	(3,906)
The City's deferred outflows of resources related to pension plans are not reported in the governmental funds.	471,632
The City's net pension liability is not reported in the governmental funds	(1,181,846)
The City's deferred inflows of resources related to pension plans are not reported in the governmental funds.	(125)
Net position of governmental activities (page 21)	$ 3,231,508

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, 2017

	GENERAL	SANITATION	TOTAL GOVERNMENTAL FUNDS
Revenues			
Ad valorem taxes	$ 430,795		$ 430,795
Sales taxes	997,100		997,100
Other taxes	191,177		191,177
Licenses and permits	15,135		15,135
Fines and forfeitures	168,076		168,076
Charges for services		$ 503,855	503,855
Intergovernmental	65,109		65,109
Investment earnings	18,247	4,768	23,015
Other revenues	23,336	333	23,669
Total revenues	1,908,975	508,956	2,417,931
Expenditures			
Current:			
General government	401,488		401,488
Public safety	1,030,855		1,030,855
Highways and streets	347,488		347,488
Sanitation		694,453	694,453
Culture and recreation	45,414		45,414
Debt Service:			
Principal	60,406		60,406
Interest and fiscal changes	7,450		7,450
Total expenditures	1,893,101	694,453	2,587,554
Excess (deficiency) of revenues over expenditures	15,874	(185,497)	(169,623)
Other Financing Sources (Uses)			
Capital lease proceeds		115,000	115,000
Total other financing sources (uses)		115,000	115,000
Net change in fund balances	15,874	(70,497)	(54,623)
Fund balances, beginning of year	3,078,998	924,431	4,003,429
Fund balances, end of year	$ 3,094,872	$ 853,934	$ 3,948,806

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, 2017

Net change in fund balances - total governmental funds (page 27)	$ (54,623)
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.	208,328
The depreciation of capital assets used in governmental activities is not reported in the funds.	(150,637)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(8,388)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,576)
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.	(1,480)
Increase in net OPEB obligation is reported as the amount earned in the statement of activities but as the amount paid in the funds.	(99,107)
Proceeds from long-term capital leases are reported as revenue in the funds but are not reported as revenue on the statement of activities.	(115,000)
Repayment of capital lease principal is an expenditure in the funds but is not an expense on the statement of activities.	60,406
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	492
The City's recognition of its pension plan expense is not reported in the funds.	(184,089)
Contributions to TMRS made before the measurement date, December 31, 2016, but during fiscal year 2017 are expenditures in the funds, but not expenses in the statement of activities.	41,026
Contributions to TMRS made after the measurement date, December 31, 2016, are required to be reported as deferred outflows of resources in the statement of net position, not expenses in the statement of activities.	144,501
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.	(109,542)
Change in net position of governmental activities (page 23)	$ (274,689)

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

CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,550,038	$ 1,550,964	$ 8,101,002
Investments	1,629,302	245,156	1,874,458
Receivables:			
Accounts	226,562	76,251	302,813
Intergovernmental	43,072		43,072
Allowance for uncollectibles	(4,036)	(1,182)	(5,218)
Due from other funds	5		5
Total current assets	8,444,943	1,871,189	10,316,132
Noncurrent assets:			
Restricted assets:			
Restricted cash and cash equivalents	301,768	45,439	347,207
Restricted investments	216		216
Total restricted assets	301,984	45,439	347,423
Capital assets (net of accumulated depreciation)	7,491,443	893,564	8,385,007
Total noncurrent assets	7,793,427	939,003	8,732,430
Total assets	16,238,370	2,810,192	19,048,562
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	97,952	55,914	153,866
Total deferred outflows of resources	97,952	55,914	153,866
LIABILITIES			
Current liabilities:			
Accounts payable	277,557	39,120	316,677
Accrued interest	3,728	1,865	5,593
Other liabilities	11,129	13,245	24,374
Due to other funds	5		5
Capital leases - current	75,156	37,577	112,733
Unearned revenue	1,918,679		1,918,679
Total current liabilities	2,286,254	91,807	2,378,061

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

CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
LIABILITIES - CONTINUED			
Current liabilities payable from restricted assets:			
General obligation bonds - current	116,548		116,548
Accrued interest	9,767		9,767
Customer meter deposits	53,922	110,374	164,296
Total current liabilities payable from restricted assets	180,237	110,374	290,611
Noncurrent liabilities:			
General obligation bonds - long-term	1,807,489		1,807,489
Capital leases - long-term	802,422	401,210	1,203,632
Net OPEB obligation	205,788	102,894	308,682
Net pension liability	228,503	139,764	368,267
Total noncurrent liabilities	3,044,202	643,868	3,688,070
Total liabilities	5,510,693	846,049	6,356,742
DEFERRED INFLOWS OF RESOURCES			
Deffered inflows related to pensions	25	14	39
Total deferred inflows of resources	25	14	39
NET POSITION			
Net investment in capital assets	4,689,828	454,777	5,144,605
Restricted for retirement of debt	133,375		133,375
Restricted for construction	10		10
Unrestricted	6,002,391	1,565,266	7,567,657
Total net position	$ 10,825,604	$ 2,020,043	$ 12,845,647

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, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
Operating Revenues:			
Charges for services	$ 1,850,998	$ 1,002,910	$ 2,853,908
Operating Expenses:			
Personnel services	334,576	200,545	535,121
Contractual services	267,523	36,253	303,776
Materials and supplies	123,504	26,039	149,543
Cost of services		616,504	616,504
Depreciation	481,748	58,317	540,065
Repairs and maintenance	51,874	1,976	53,850
Bad debts	1,965	(302)	1,663
Other	1,207		1,207
Total operating expenses	1,262,397	939,332	2,201,729
Operating income	588,601	63,578	652,179
Nonoperating Revenues (Expenses):			
Investment earnings	40,523	8,144	48,667
Intergovernmental	21,840		21,840
Gain on sale of capital assets	1,682		1,682
Other revenues	104,966	1,190	106,156
Interest and fiscal charges	(87,509)	(15,995)	(103,504)
Total nonoperating revenues (expenses)	81,502	(6,661)	74,841
Income before contributions and transfers	670,103	56,917	727,020
Contributions and Transfers:			
Capital contributions	77,968		77,968
Total contributions and transfers	77,968		77,968
Change in net position	748,071	56,917	804,988
Net position, beginning of year	10,077,533	1,963,126	12,040,659
Net position, end of year	$ 10,825,604	$ 2,020,043	$ 12,845,647

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, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER FUNDS	GAS FUNDS	TOTALS
Cash flows from operating activities:			
Receipts from customers and users	$ 1,865,739	$ 1,018,207	$ 2,883,946
Payments to suppliers	(328,967)	(688,839)	(1,017,806)
Payments to employees	(340,703)	(181,287)	(521,990)
Net cash provided by operating activities	1,196,069	148,081	1,344,150
Cash flows from noncapital financing activities:			
Intergovernmental	21,840		21,840
Other nonoperating revenues	1,155,684	1,190	1,156,874
Net cash provided by noncapital financing activities	1,177,524	1,190	1,178,714
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,404,306)	(17,180)	(1,421,486)
Principal payments on long-term debt	(167,684)	(36,344)	(204,028)
Interest and fiscal charges on long-term debt	(95,000)	(16,149)	(111,149)
Capital grants received	117,328		117,328
Net cash used in capital and related financing activities	(1,549,662)	(69,673)	(1,619,335)
Cash flows from investing activities:			
Purchase of investments	(1,629,302)	(245,000)	(1,874,302)
Investment maturities	495,247	245,120	740,367
Investment earnings	40,523	8,144	48,667
Net cash provided by (used in) investing activities	(1,093,532)	8,264	(1,085,268)
Net increase (decrease) in cash and cash equivalents	(269,601)	87,862	(181,739)
Cash and cash equivalents, beginning of year	7,121,407	1,508,541	8,629,948
Cash and cash equivalents, end of year	$ 6,851,806	$ 1,596,403	$ 8,448,209

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, 2017

	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	$ 588,601	$ 63,578	$ 652,179
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	481,748	58,317	540,065
(Increase) decrease in accounts receivable - net	(31,833)	17,431	(14,402)
Decrease in other receivables	48,254		48,254
(Increase) in deferred outflows related to pensions	(920)	(959)	(1,879)
Increase (decrease) in accounts payable	115,141	(8,067)	107,074
(Decrease) in other liabilities	(609)	(350)	(959)
Increase (decrease) in customer meter deposits	285	(755)	(470)
Increase (decrease) in net OPEB obligation	(28,328)	5,677	(22,651)
Increase in net pension liability	23,705	13,195	36,900
Increase in deferred inflows related to pensions	25	14	39
Total adjustments	607,468	84,503	691,971
Net cash provided by operating activities	$ 1,196,069	$ 148,081	$ 1,344,150

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

(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*.

(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 judgements, 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.

(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.

(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 toTexPool. 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).

(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, 2017.

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, 2017 was 0.3823 per $100 of assessed valuation. The adjusted total tax levy for fiscal year 2017 was $431,049 and $409,282 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.

(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 market 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:

ASSETS	YEARS
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.

(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, 2017, 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 TMRS net pension liability on the government-wide and proprietary fund statements of net position. Those items are detailed in Note (3)(H). 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.

(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.

(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 $1,100,000. 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.

(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 $3,000,000 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.

(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 amended once by the City Council during the year ended September 30, 2017. 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:

Violation	Action Taken
None reported	Not applicable

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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

(3) Detailed Notes on All Funds

(A) Cash and Investments

At September 30, 2017, the City's carrying amount for cash deposits including certificates of deposit was $6,356,178 and the bank balance was $6,401,118. 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 value at September 30, 2017 was obtained from Patterson & Associates.

The City's investments at September 30, 2017 were held by the City, Frost Bank and TexPool and consisted of the following:

INVESTMENTS, INVESTMENT TYPE	AMOUNT
Debt Securities:	
U. S. Treasuries	$ 2,131,281
Asset-Backed Securities:	
FHLMC Multiclass Mortgage Participation Certificates, Series 1208	372
Cash Equivalents:	
TexPool	5,695,187
Deposits:	
Certificates of Deposit - Non-negotiable	245,000
Total investments	$ 8,071,840

(3) Detailed Notes on All Funds - Continued

(A) Cash and Investments - Continued

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. At September 30, 2017, the City's investment in FHLMC Multiclass Mortgage Participation Certificates Series 1208D was unrated. The City's investment in TexPool was rated AAAm by Standard & Poors.

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. At September 30, 2017, no more than 5% of the City's investments were invested in a single issuer in which credit risk was applicable.

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 U.S. Treasuries range from November 30, 2017 to March 7, 2018 while the asset-back securities mature February 15, 2022. The weighted average maturity for TexPool is 37 days.

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, 2017:

U.S. Treasuries of $2,131,281 are valued using quoted market prices (Level 1 inputs).

Asset-backed securities of $372 are valued using quoted market prices (Level 1 inputs).

There are no nonrecurring fair value measurements.

(3) Detailed Notes on All Funds - Continued

(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	$ 87,723		$ 87,723
Bond reserve	259,474	$ 216	259,690
Construction	10		10
Total restricted assets	$ 347,207	$ 216	$ 347,423

(C) Interfund Balances and Activities

1. Due From and To Other Funds

Due from and to other funds at September 30, 2017, consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
Water and Sewer Funds	Water and Sewer Funds	$ 5	Grant advance
	Total	$ 5	

2. Transfers From and To Other Funds

There were no transfers from and to other funds during the year ended September 30, 2017.

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets

Capital asset activity for the year ended September 30, 2017 is as follows:

	BALANCE OCTOBER 1, 2016	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 264,159			$ 264,159
Total capital assets not being depreciated	264,159			264,159
Depreciable assets:				
Buildings	794,231			794,231
Improvements/infrastructure	3,047,555	$ 9,690		3,057,245
Machinery and equipment	2,144,549	198,638	$ (60,546)	2,282,641
Total depreciable assets	5,986,335	208,328	(60,546)	6,134,117
Less accumulated depreciation	(4,918,868)	(150,637)	52,158	(5,017,347)
Total capital assets being depreciated, net	1,067,467	57,691	(8,388)	1,116,770
Governmental activities capital assets, net	$ 1,331,626	$ 57,691	$ (8,388)	$ 1,380,929

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets - Continued

	BALANCE OCTOBER 1, 2016	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 37,184			$ 37,184
Construction in progress	1,695,441	$ 1,363,679		3,059,120
Total capital assets not being depreciated	1,732,625	1,363,679		3,096,304
Depreciable assets:				
Improvements	19,523,830			19,523,830
Machinery and equipment	444,577	57,807	$ (16,794)	485,590
Total depreciable assets	19,968,407	57,807	(16,794)	20,009,420
Less accumulated depreciation	(14,197,446)	(540,065)	16,794	(14,720,717)
Total capital assets being depreciated, net	5,770,961	(482,258)		5,288,703
Business-type activities capital assets, net	$ 7,503,586	$ 881,421		$ 8,385,007

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

Governmental activities:	
General government	$ 24,028
Public safety	61,626
Highways and streets	20,977
Sanitation	41,292
Culture and recreation	2,714
Total governmental activities	$ 150,637
Business-type activities:	
Water and Sewer funds	$ 481,748
Gas funds	58,317
Total business-type activities	$ 540,065

(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%.	$ 1,840,000
Total general obligation bonds payable	$ 1,840,000

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

YEARS ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2018	$ 110,000	$ 58,600	$ 168,600
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 - 2027	725,000	155,075	880,075
2028 - 2030	515,000	35,062	550,062
Total	$ 1,840,000	$ 440,787	$ 2,280,787

2. Capital Leases

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2017, as follows:

For The Year Ending September 30,	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
2018	$ 93,081	$ 157,477	$ 250,558
2019	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
2023-2027		787,385	787,385
Total minimum lease payments	329,515	1,574,770	1,904,285
Less amount representing interest	(22,267)	(258,404)	(280,671)
Present value of minimum lease payments	$ 307,248	$ 1,316,366	$ 1,623,614

(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 $51,806. For business-type activities, assets acquired by capital leases consist of improvements of $1,856,317 less accumulated depreciation of $216,570. 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 capital leases for governmental activities was $6,958, and $93,757 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	$ 252,654	$ 115,000	$ 60,406	$ 307,248	$ 84,551
Compensated absences	62,606	64,086	62,606	64,086	64,086
Net OPEB obligation	978,128	99,107		1,077,235	
Transfer station clean-up costs	4,000			4,000	
Total governmental activities long-term liabilities	$ 1,297,388	$ 278,193	$ 123,012	$ 1,452,569	$ 148,637
Business-type activities					
General obligation bonds	$ 1,935,000		$ 95,000	$ 1,840,000	$ 110,000
General obligation bonds premium	90,586		6,548	84,038	6,548
Capital leases payable	1,425,393		109,028	1,316,365	112,733
Net OPEB obligation	331,333		22,651	308,682	
Total business-type activities long-term liabilities	$ 3,782,312		$ 233,227	$ 3,549,085	$ 229,281

(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, 2017 consisted of the following:

	AMOUNT
Governmental Funds:	
Unavailable ad valorem taxes	$ 24,377
Unavailable fines and forfeitures	44,210
Total deferred inflows of resources	$ 68,587

(G) Restricted Net Position

Restricted net position reflect amounts that are restricted for retirement of debt as required by various bond covenants and for construction. At September 30, 2017, restricted net position of business-type activities consisted of the following:

	WATER AND SEWER FUNDS		
	BOND RESERVE	RESTRICTED FOR CONSTRUCTION	TOTAL
Restricted assets:			
Cash and cash equivalents	$ 259,474	$ 10	$ 259,484
Investments	216		216
Total restricted assets	259,690	10	259,700
Liabilities payable from restricted assets:			
General obligation bonds - current maturities	110,000		110,000
General obligation bonds premium - current maturities	6,548		6,548
Accrued interest	9,767		9,767
Total liabilities payable from restricted assets	126,315		126,315
Restricted net position September 30, 2017	$ 133,375	$ 10	$ 133,385

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

1. Plan Description

The City participates as one of 872 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.tmrs.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.

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

2. Benefits Provided - Continued

Employees covered by benefit terms

At the December 31, 2016 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	14
Active employees	33
Total employees covered by benefit terms	59

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 15.62% and 16.59% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $245,181, and were equal to the required contributions.

4. Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

4. Net Pension Liability - Continued

Actuarial assumptions

The TPL in the December 31, 2016 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 males 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.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. 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.

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

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 2017 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%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

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.

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

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 (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (a) - (b)
Balance at December 31, 2015	$ 6,797,943	$ 5,399,491	$ 1,398,452
Changes for the year:			
Service cost	249,347		249,347
Interest	461,421		461,421
Change of benefit terms			
Difference between expected and actual experience	144,302		144,302
Changes of assumptions			
Contributions - employer		236,910	(236,910)
Contributions - employee		106,170	(106,170)
Net investment income		364,672	(364,672)
Benefit payments, including refunds of employee contributions	(173,514)	(173,514)	
Administrative expense		(4,121)	4,121
Other changes		(222)	222
Net changes	681,556	529,895	151,661
Balance at December 31, 2016	$ 7,479,499	$ 5,929,386	$ 1,550,113

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

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 liability	$ 2,709,757	$ 1,550,113	$ 607,614

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of $388,346.

At September 30, 2017, 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	$ 185,195	
Changes in actuarial assumptions	7,564	
Difference between projected and actual investment earnings	240,954	$ 164
Contributions subsequent to the measurement date	191,785	
Total	$ 625,498	$ 164

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

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

The City reported $191,785 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. 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,	
2017	$ 144,763
2018	142,453
2019	116,144
2020	28,476
2021	1,711
Total	$ 433,547

(I) Other Postemployment Benefits (OPEB)

1. Retiree Health Insurance

The City administers a single-employer defined benefit healthcare plan (Retiree Health Plan). In accordance with the ordinance enacted by the City Council, the Retiree Health Plan provides health benefits coverage for eligible City retirees. Benefit provisions were established by the ordinance. At September 30, 2017, there were 2 retirees receiving the postemployment health care benefits. Effective March 12, 2012, the ordinance to provide retiree health insurance benefits was repealed, affecting only future employees. The Retiree Health Plan does not issue a publicly available financial report.

a. Funding policy

The contribution requirements of the City and participants were established and may be amended by the City Council. The City contributes 100% of the premium cost for health insurance for eligible retirees. The required contribution for the City's share is 195% of the active employee contribution. The City has elected to use the pay-as-you-go option for funding.

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

b. Annual OPEB cost and Net OPEB obligation

The City has elected to calculate the annual required contribution of the City (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City's annual OPEB cost, the amount actually contributed, and the changes in the City's net OPEB obligation for the fiscal year ended September 30, 2017 were as follows:

Annual required contribution	$ 135,316
Adjustment to annual required contribution	(3,484)
Annual OPEB cost	131,832
Contribution made	55,376
Increase in net OPEB obligation	76,456
Net OPEB obligation, beginning of year	1,309,461
Net OPEB obligation, end of year	$ 1,385,917

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal years 2017, 2016 and 2015 were as follows:

YEAR ENDED	ANNUAL OPEB COST	AMOUNT CONTRIBUTED	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
9/30/17	$ 131,832	$ 55,376	42%	$ 1,385,917
9/30/16	325,614	185,883	57%	1,309,461
9/30/15	313,761	154,903	49%	1,175,291

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

c. Funded Status and Funding Progress

As of September 30, 2017, the most recent actuarial valuation date, the plan assets were $0, the actuarial accrued liability for benefits was $1,385,917, the total unfunded actuarial liability is $1,385,917, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the Plan) was $1,497,555, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 93%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

d. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2017 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, and a general price inflation of 3.0%. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at September 30, 2017 was 30 years. As authorized by GASB Statement No. 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC.

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

2. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were $3,146, $3,281 and $2,822, respectively, which equaled the required contributions each year.

(K) Commitments

1. Construction Commitments

The City had remaining commitments on its uncompleted construction contracts as follows:

GLO Ike 2.2 New Water Well and Related Improvements:	
Duplichain Contractors, LLP	$ 2,520
Total	$ 2,520

(3) Detailed Notes on All Funds - Continued

(K) Commitments - Continued

2. 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, 2017 for $5,000 with Citizens State Bank, with an interest rate of 7.0% that matures on August 24, 2018. As of the date of this report, there have been no draws against the letter of credit.

3. Lease Commitment

The City accounted for non-cancelable lease agreements for copiers as operating leases. Future minimum lease payments as of September 30, 2017 are as follows:

YEAR ENDED SEPTEMBER 30	
2018	$ 3,687
2019	3,687
2020	3,687
2021	3,687
2022	614
Total	$ 15,362

Rental expenditures for the City's copier leases totaled $3,874.

4. 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.

5. Litigation

No reportable litigation was pending against the City at September 30, 2017.

(3) Detailed Notes on All Funds - Continued

(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, 2017, the City has spent $2,360,181 on the new ground water well construction project and received $2,168,461 from ETEC for reimbursement to date. During the year ended September 30, 2017, the City recognized revenue of $64,777 relating to the water procurement and supply agreement in other nonoperating revenues of the Water and Sewer Funds. At September 30, 2017, the amount of unearned revenue related to this agreement was $1,918,679.

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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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUDGET			VARIANCE FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
Revenues				
Ad valorem taxes	$ 455,000	$ 455,000	$ 430,795	$ (24,205)
Sales taxes	1,030,000	1,030,000	997,100	(32,900)
Other taxes	187,000	187,000	191,177	4,177
Licenses and permits	25,000	25,000	15,135	(9,865)
Fines and forfeitures	217,000	217,000	168,076	(48,924)
Intergovernmental	7,500	7,500	65,109	57,609
Investment earnings	6,200	6,200	18,247	12,047
Other revenues	5,000	5,000	23,336	18,336
Total revenues	1,932,700	1,932,700	1,908,975	(23,725)
Expenditures				
Current:				
General government	437,498	453,498	401,488	52,010
Public safety	1,092,475	1,092,475	1,030,855	61,620
Highways and streets	422,150	422,150	347,488	74,662
Culture and recreation	50,750	50,750	45,414	5,336
Debt Service:				
Principal	60,405	60,405	60,406	(1)
Interest and fiscal changes	7,595	7,595	7,450	145
Total expenditures	2,070,873	2,086,873	1,893,101	193,772
Net change in fund balances	(138,173)	(154,173)	15,874	170,047
Fund balances, beginning of year	3,078,998	3,078,998	3,078,998	
Fund balances, end of year	$ 2,940,825	$ 2,924,825	$ 3,094,872	$ 170,047

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

CITY OF WOODVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUDGET			VARIANCE FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
Revenues				
Charges for services	$ 550,000	$ 550,000	$ 503,855	$ (46,145)
Investment earnings	1,000	1,000	4,768	3,768
Other revenues	275	275	333	58
Total revenues	551,275	551,275	508,956	(42,319)
Expenditures				
Current:				
Sanitation	709,820	709,820	694,453	15,367
Total expenditures	709,820	709,820	694,453	15,367
Excess (deficiency) of revenues over expenditures	(158,545)	(158,545)	(185,497)	(26,952)
Other Financing Sources (Uses)				
Capital lease proceeds			115,000	115,000
Total other financing sources (uses)			115,000	115,000
Net change in fund balances	(158,545)	(158,545)	(70,497)	88,048
Fund balances, beginning of year	924,431	924,431	924,431	
Fund balances, end of year	$ 765,886	$ 765,886	$ 853,934	$ 88,048

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

CITY OF WOODVILLE, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH INSURANCE PLAN
SEPTEMBER 30, 2017

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
9/30/17		$ 1,385,917	$ 1,385,917	0.0%	$ 1,497,555	93.0%
9/30/14		2,191,978	2,191,978	0.0%	1,223,623	179.0%
9/30/11		1,250,849	1,250,849	0.0%	1,102,204	113.0%

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

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

	2017	2016	2015
Total Pension Liability			
Service cost	$ 249,347	$ 219,594	$ 192,039
Interest (on the total pension liability)	461,421	437,111	402,566
Changes of benefit terms			
Difference between expected and actual experience	144,302	84,726	54,176
Change of assumptions		13,046	
Benefit payments, including refunds of employee contributions	(173,514)	(182,350)	(155,771)
Net change in total pension liability	681,556	572,127	493,010
Total pension liability - beginning	6,797,943	6,225,816	5,732,806
Total pension liability - ending (a)	$ 7,479,499	$ 6,797,943	$ 6,225,816
Plan Fiduciary Net Position			
Contributions - employer	$ 236,910	$ 222,004	$ 202,798
Contributions - employee	106,170	99,235	91,704
Net investment income	364,672	7,755	277,201
Benefit payments, including refunds of employee contributions	(173,514)	(182,350)	(155,771)
Administrative expenses	(4,121)	(4,726)	(2,894)
Other	(222)	(233)	(238)
Net change in plan fiduciary net position	529,895	141,685	412,800
Plan fiduciary net position - beginning	5,399,491	5,257,806	4,845,006
Plan fiduciary net position - ending (b)	$ 5,929,386	$ 5,399,491	$ 5,257,806
Net pension liability - ending (a) - (b)	$ 1,550,113	$ 1,398,452	$ 968,010
Plan fiduciary net position as a percentage of total pension liability	79.28%	79.43%	84.45%
Covered employee payroll	$ 1,516,712	$ 1,417,648	$ 1,310,064
Net pension liability as a percentage of covered employee payroll	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 three years of data are presented in accordance with GASB 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 CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

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

Note: GASB 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 three years of data are presented in accordance with GASB 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.

(1) 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 amended once by the City Council during the year ended September 30, 2017. Unexpended appropriations lapse at the end of the fiscal year.

(2) Texas Municipal Retirement System

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	29 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.

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,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,550,038	$ 6,821,056
Investments	1,629,302	495,000
Receivables:		
Accounts	226,562	194,137
Intergovernmental	43,072	82,432
Other		48,254
Allowance for uncollectibles	(4,036)	(3,444)
Due from other funds	5	5
Total current assets	8,444,943	7,637,440
Noncurrent assets:		
Restricted assets:		
Restricted cash and cash equivalents	301,768	300,351
Restricted investments	216	463
Total restricted assets	301,984	300,814
Capital assets (net of accumulated depreciation)	7,491,443	6,568,885
Total noncurrent assets	7,793,427	6,869,699
Total assets	16,238,370	14,507,139
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	97,952	97,032
Total deferred outflows of resources	97,952	97,032
LIABILITIES		
Current liabilities:		
Accounts payable	277,557	162,416
Accrued interest	3,728	4,037
Other liabilities	11,129	11,738
Due to other funds	5	5
Capital leases - current	75,156	72,685
Unearned revenue	1,918,679	869,643
Total current liabilities	2,286,254	1,120,524

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,	
	2017	2016
LIABILITIES - CONTINUED		
Current liabilities payable from restricted assets:		
General obligation bonds - current	116,548	101,548
Accrued interest	9,767	10,400
Customer meter deposits	53,922	53,637
Total current liabilities payable from restricted assets	180,237	165,585
Noncurrent liabilities:		
General obligation bonds - long-term	1,807,489	1,924,038
Capital leases - long-term	802,422	877,577
Net OPEB obligation	205,788	234,116
Net pension liability	228,503	204,798
Total noncurrent liabilities	3,044,202	3,240,529
Total liabilities	5,510,693	4,526,638
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	25	
Total deferred inflows of resources	25	
NET POSITION		
Net investment in capital assets	4,689,828	3,593,037
Restricted for retirement of debt	133,375	146,610
Restricted for construction	10	10
Unrestricted	6,002,391	6,337,876
Total net position	$ 10,825,604	$ 10,077,533

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,	
	2017	2016
Operating Revenues:		
Charges for services	$ 1,850,998	$ 1,802,962
Operating Expenses:		
Personnel services	334,576	372,731
Contractual services	267,523	256,450
Materials and supplies	123,504	123,803
Depreciation	481,748	474,695
Repairs and maintenance	51,874	85,922
Bad debts	1,965	1,514
Other	1,207	1,200
Total operating expenses	1,262,397	1,316,315
Operating income	588,601	486,647
Nonoperating Revenues (Expenses):		
Investment earnings	40,523	17,095
Intergovernmental	21,840	
Gain on sale of capital assets	1,682	
Other revenues	104,966	158,116
Interest and fiscal charges	(87,509)	(95,825)
Total nonoperating revenues (expenses)	81,502	79,386
Income before contributions and transfers	670,103	566,033
Contributions and Transfers:		
Capital contributions	77,968	517,063
Transfers in		2,165,557
Transfers out		(2,165,562)
Total contributions and transfers	77,968	517,058
Change in net position	748,071	1,083,091
Net position, beginning of year	10,077,533	8,994,442
Net position, end of year	$ 10,825,604	$ 10,077,533

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,	
	2017	**2016**
Cash flows from operating activities:		
Receipts from customers and users	$ 1,865,739	$ 1,771,593
Payments to suppliers	(328,967)	(465,644)
Payments to employees	(340,703)	(356,339)
Net cash provided by operating activities	1,196,069	949,610
Cash flows from noncapital financing activities:		
Intergovernmental	21,840	
Other nonoperating revenues	1,154,002	104,349
Transfers in		2,165,557
Transfers out		(2,165,562)
Net cash provided by noncapital financing activities	1,175,842	104,344
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,404,306)	(573,767)
Proceeds from sale of capital assets	1,682	
Principal payments on long-term debt	(167,684)	(280,296)
Interest and fiscal charges on long-term debt	(95,000)	(98,579)
Capital grants received	117,328	538,539
Net cash used in capital and related financing activities	(1,547,980)	(414,103)
Cash flows from investing activities:		
Purchase of investments	(1,629,302)	(495,000)
Investment maturities	495,247	500,348
Investment earnings	40,523	17,108
Net cash provided by (used in) investing activities	(1,093,532)	22,456
Net increase (decrease) in cash and cash equivalents	(269,601)	662,307
Cash and cash equivalents, beginning of year	7,121,407	6,459,100
Cash and cash equivalents, end of year	$ 6,851,806	$ 7,121,407

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,	
	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 588,601	$ 486,647
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	481,748	474,695
(Increase) decrease in accounts receivable - net	(31,833)	5,686
(Increase) decrease in other receivables	48,254	(37,346)
(Increase) in deferred outflows related to pensions	(920)	(60,272)
Increase in accounts payable	115,141	1,731
(Decrease) in other liabilities	(609)	(5,956)
Increase in customer meter deposits	285	1,805
Increase (decrease) in net OPEB obligation	(28,328)	13,749
Increase in net pension liability	23,705	68,871
Increase in deferred inflows related to pensions	25	
Total adjustments	607,468	462,963
Net cash provided by operating activities	$ 1,196,069	$ 949,610

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,	
	2017	**2016**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,550,964	$ 1,463,152
Investments	245,156	245,276
Receivables:		
Accounts	76,251	94,165
Allowance for uncollectibles	(1,182)	(1,665)
Total current assets	1,871,189	1,800,928
Noncurrent assets:		
Restricted assets:		
Restricted cash and cash equivalents	45,439	45,389
Total restricted assets	45,439	45,389
Capital assets (net of accumulated depreciation)	893,564	934,701
Total noncurrent assets	939,003	980,090
Total assets	2,810,192	2,781,018
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	55,914	54,955
Total deferred outflows of resources	55,914	54,955
LIABILITIES		
Current liabilities:		
Accounts payable	39,120	47,187
Accrued interest	1,865	2,019
Other liabilities	13,245	13,595
Capital leases - current	37,577	36,343
Total current liabilities	91,807	99,144

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

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

	SEPTEMBER 30,	
	2017	**2016**
LIABILITIES - CONTINUED		
Current liabilities payable from restricted assets:		
Customer meter deposits	110,374	111,129
Total current liabilities payable from restricted assets	110,374	111,129
Noncurrent liabilities:		
Capital leases - long-term	401,210	438,788
Net OPEB obligation	102,894	97,217
Net pension liability	139,764	126,569
Total noncurrent liabilities	643,868	662,574
Total liabilities	846,049	872,847
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	14	
Total deferred inflows of resources	14	
NET POSITION		
Net investment in capital assets	454,777	459,570
Unrestricted	1,565,266	1,503,556
Total net position	$ 2,020,043	$ 1,963,126

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,	
	2017	2016
Operating Revenues:		
Charges for services	$ 1,002,910	$ 874,944
Operating Expenses:		
Personnel services	200,545	186,136
Contractual services	36,253	77,063
Materials and supplies	26,039	22,819
Cost of services	616,504	483,020
Depreciation	58,317	55,252
Repairs and maintenance	1,976	5,167
Bad debts	(302)	318
Total operating expenses	939,332	829,775
Operating income	63,578	45,169
Nonoperating Revenues (Expenses):		
Investment earnings	8,144	3,844
Other revenues	1,190	820
Interest and fiscal charges	(15,995)	(17,195)
Total nonoperating revenues (expenses)	(6,661)	(12,531)
Income before contributions and transfers	56,917	32,638
Contributions and Transfers:		
Transfers in		207,843
Transfers out		(207,847)
Total contributions and transfers		(4)
Change in net position	56,917	32,634
Net position, beginning of year	1,963,126	1,930,492
Net position, end of year	$ 2,020,043	$ 1,963,126

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,	
	2017	**2016**
Cash flows from operating activities:		
Receipts from customers and users	$ 1,018,207	$ 880,883
Payments to suppliers	(688,839)	(587,107)
Payments to employees	(181,287)	(186,897)
Net cash provided by operating activities	148,081	106,879
Cash flows from noncapital financing activities:		
Other nonoperating revenues	1,190	820
Transfers in		207,843
Transfers out		(207,847)
Net cash provided by noncapital financing activities	1,190	816
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(17,180)	
Principal payments on long-term debt	(36,344)	(35,148)
Interest and fiscal charges on long-term debt	(16,149)	(17,344)
Net cash used in capital and related financing activities	(69,673)	(52,492)
Cash flows from investing activities:		
Purchase of investments	(245,000)	(245,000)
Investment maturities	245,120	250,253
Investment earnings	8,144	3,853
Net cash provided by investing activities	8,264	9,106
Net increase in cash and cash equivalents	87,862	64,309
Cash and cash equivalents, beginning of year	1,508,541	1,444,232
Cash and cash equivalents, end of year	$ 1,596,403	$ 1,508,541

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,	
	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 63,578	$ 45,169
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	58,317	55,252
Decrease in accounts receivable - net	17,431	4,251
(Increase) in deferred outflows related to pensions	(959)	(33,439)
Increase (decrease) in accounts payable	(8,067)	962
(Decrease) in other liabilities	(350)	(2,541)
Increase (decrease) in customer meter deposits	(755)	2,270
Increase (decrease) in net OPEB obligation	5,677	(3,785)
Increase in net pension liability	13,195	38,740
Increase in deferred inflows related to pensions	14	
Total adjustments	84,503	61,710
Net cash provided by operating activities	$ 148,081	$ 106,879

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, 2017

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

		FEDERAL		LOCAL MATCH		
	BUDGET	PRIOR YEARS	CURRENT YEAR	PRIOR YEARS	CURRENT YEAR	TOTAL
Revenues:						
Federal	$ 753,337	$ 620,971	$ 77,968			$ 698,939
Local match						
Total revenues	753,337	620,971	77,968			698,939
Expenditures:						
Federal:						
Water facilities - water well/water line phase 1	692,429	610,063	77,968			688,031
Water facilities - water well/water line SCADA phase 2	50,000					
Acquisition	10,908	10,908				10,908
Total expenditures	753,337	620,971	77,968			698,939
Excess revenues over expenditures						

See independent auditor's report on additional information.

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COMPLIANCE SECTION

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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, 2017, 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 23, 2018.

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.

Member of American Institute of Certified Public Accountants Private Companies Practice Section

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 23, 2018