

CITY OF WOODVILLE, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

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**CITY OF WOODVILLE, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2019**

Paula Jones Mayor
Mandy Risinger City Administrator
Terri Bible City Secretary

CITY COUNCIL

Joyce Wilson

Kelly Dillard

Janice Weatherford

Richard Greer

Herb Branch

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FINANCIAL SECTION

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



4000 S. Medford Drive
Lufkin, Texas 75901

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Auditor's Responsibility - Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Woodville, Texas as of September 30, 2019, 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 changes in net pension liability and related ratios, schedule of pension contributions and schedules of changes in total OPEB liability and related ratios on pages 11 through 18 and 69 through 76 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 and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Other Matters - Continued

Other Information - Continued

The introductory and other supplementary information sections 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 19, 2020 on our consideration of the City of Woodville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woodville, Texas' internal control over financial reporting and compliance.



ALEXANDER, LANKFORD & HIERS, INC.

Certified Public Accountants

Lufkin, Texas

February 19, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Woodville, Texas' (City's) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The City's total combined net position was \$17,900,711 at September 30, 2019.

During the year, the City's expenses were \$179,153 less than the \$2,762,876 generated in taxes and other revenues for governmental activities and \$644,568 less than the \$3,306,345 generated in charges for services and other revenues for business-type activities

The total cost of the City's programs was \$5,245,500, which is \$836,155 higher than the prior year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,141,888, an increase of \$216,465.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The proprietary funds statements offer short-term and long-term financial information about the activities the City operates like private businesses.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-1

Major Features of the City’s Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	The activities the City operates that are 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/deferred outflows of resources and liability/deferred inflows of resources 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

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 government-wide financial statements include governmental activities and business-type activities. The governmental activities include most basic services, including general government, public safety, highways and streets, sanitation, and culture and recreation. General property taxes and sales taxes finance the majority of these services. The business-type activities includes services, such as water, sewer, and gas, for which customers are charged fees to pay for most or all of the costs associated with those services.

The *statement of net position* presents all of the City’s assets, liabilities and deferred outflows/inflows of resources, with the difference between them 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 in this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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*.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. These funds are reported using the *modified accrual* basis of accounting, which 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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each major fund of the City. All other funds, if any, are combined into a single, aggregated presentation. The City adopts an annual budget for its general and sanitation funds. The basic governmental funds financial statements can be found on pages 25 -28 in 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 gas service.

Proprietary fund financial statements 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 fund and for the gas fund, which are considered to be major funds of the City. The basic proprietary funds financial statements can be found on pages 29 - 34 in 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 immediately follow the basic financial statements in this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s budget information and pension and OPEB plans in which the City participates. The required supplementary information and the associated notes immediately follow the notes to the financial statements. The other supplementary section immediately follows the required supplementary information and includes individual fund statements and other supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The City’s combined net position was \$17,900,711 at September 30, 2019. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,288,378	\$ 4,073,275	\$ 12,500,183	\$ 11,450,194	\$ 16,788,561	\$ 15,523,469
Capital assets	1,186,292	1,278,433	7,262,172	7,919,392	8,448,464	9,197,825
Total assets	5,474,670	5,351,708	19,762,355	19,369,586	25,237,025	24,721,294
Deferred outflows of resources	511,241	285,497	153,448	92,723	664,689	378,220
Long-term liabilities	2,178,684	1,903,411	3,467,724	3,558,499	5,646,408	5,461,910
Other liabilities	55,125	70,016	2,232,304	2,310,624	2,287,429	2,380,640
Total liabilities	2,233,809	1,973,427	5,700,028	5,869,123	7,933,837	7,842,550
Deferred inflows of resources	49,480	140,309	17,686	39,665	67,166	179,974
Net position:						
Net investment in capital assets	1,049,691	1,055,736	4,489,164	4,908,271	5,538,855	5,964,007
Restricted			134,877	133,115	134,877	133,115
Unrestricted	2,652,931	2,467,733	9,574,048	8,512,135	12,226,979	10,979,868
Total net position	\$ 3,702,622	\$ 3,523,469	\$ 14,198,089	\$ 13,553,521	\$ 17,900,711	\$ 17,076,990

The largest portion of the City’s net position (sixty-eight percent) represents unrestricted financial resources available for future operations. Additionally, a portion of the City’s net position (thirty-one percent) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The remaining 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2019. Governmental activities and business-type activities increased the City's net position by \$179,153 and the \$644,568, respectively.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 785,195	\$ 700,392	\$ 2,931,799	\$ 2,689,688	\$ 3,716,994	\$ 3,390,080
Operating grants and contributions	15,292	26,454		15,211	15,292	41,665
Capital grants and contributions				51,320		51,320
General Revenues:						
Ad valorem taxes	456,231	453,334			456,231	453,334
Sales taxes	1,204,324	1,083,407			1,204,324	1,083,407
Other taxes	187,074	207,547			187,074	207,547
Unrestricted investment earnings	70,302	44,961	258,066	120,546	328,368	165,507
Gain on sale of capital assets	29,061		5,596		34,657	
Other revenues	15,397	6,900	110,884	91,280	126,281	98,180
Total revenues	2,762,876	2,522,995	3,306,345	2,968,045	6,069,221	5,491,040
Expenses:						
General government	411,649	450,386			411,649	450,386
Public safety	1,156,841	971,574			1,156,841	971,574
Highways and streets	349,506	234,039			349,506	234,039
Sanitation	614,450	455,895			614,450	455,895
Culture and recreation	45,998	48,104			45,998	48,104
Interest and fiscal charges	5,279	9,371			5,279	9,371
Water and sewer			1,619,727	1,468,631	1,619,727	1,468,631
Gas			1,042,050	771,345	1,042,050	771,345
Total expenses	2,583,723	2,169,369	2,661,777	2,239,976	5,245,500	4,409,345
Change in net position	179,153	353,626	644,568	728,069	823,721	1,081,695
Net position, beginning of year	3,523,469	3,231,508	13,553,521	12,845,647	17,076,990	16,077,155
Cumulative effect of change in accounting principle		(61,665)		(20,195)		(81,860)
Net position, beginning of year, as restated	3,523,469	3,169,843	13,553,521	12,825,452	17,076,990	15,995,295
Net position, end of year	\$ 3,702,622	\$ 3,523,469	\$ 14,198,089	\$ 13,553,521	\$ 17,900,711	\$ 17,076,990

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

As the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,141,888, which is an increase of \$216,465 from last year's total of \$3,925,423. One percent of the total fund balance, or \$58,220 has been assigned, meaning there are limitations resulting from its intended use. The assigned uses include \$58,220 for the 2020 budgeted deficit in the Sanitation Fund.

The general fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,368,482, which represented one hundred percent of total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents one hundred seventy-seven percent of total general fund expenditures.

Proprietary Funds

The City'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 Fund at the end of the current fiscal year amounted to \$7,731,113 and the Gas Fund amounted to \$1,842,935. The total increase in net position for the Water and Sewer Fund was \$457,891 and the total increase in net position for the Gas Fund was \$186,677. Other factors concerning these two funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

BUDGETARY HIGHLIGHTS - CONTINUED

Differences between the actual results and the final budget were significant (\$200,711 increase in actual revenues and \$41,141 decrease in actual expenditures) and can be briefly summarized as follows:

- Increase of \$129,324 in sales taxes revenue was primarily due to higher sales tax collections than the City anticipated.
- Increase of \$21,598 in investment earnings was primarily due to higher interest rates during the fiscal year.
- Increase of \$35,251 in other revenues was primarily due to more sale of assets of \$25,084, more insurance claims revenue of \$4,682 and more miscellaneous revenues of \$3,592.
- Decrease of \$13,594 in general government expenditures was primarily due to less office expenditures of \$2,050, less training of \$1,719, less mayoral expenditures of \$1,437, less Christmas decorations of \$1,556, less banners of \$3,000 and less building maintenance and repairs of \$2,355.
- Decrease of \$22,816 in public safety expenditures was primarily due to less firemen’s relief and retirement of \$4,198, less fire miscellaneous supplies of \$2,540, less police salaries of \$8,432, less police social security of \$3,117, less police health insurance of \$3,425, less police sexual assault exams of \$3,768, less police fuel and oil of \$2,969, less police annual support contracts of \$4,169, more police vehicle maintenance of \$6,421, more municipal court collection agency fees of \$8,520 and less municipal court salaries of \$2,381.

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, 2019 amounts to \$8,448,464 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and machinery and equipment.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
Land	\$ 264,159	\$ 264,159	\$ 37,184	\$ 37,184	\$ 301,343	\$ 301,343
Buildings	794,231	794,231			794,231	794,231
Improvements	3,057,245	3,057,245	22,641,127	22,641,127	25,698,372	25,698,372
Machinery and equipment	2,152,601	2,332,614	530,756	515,539	2,683,357	2,848,153
Less: accumulated depreciation	(5,081,944)	(5,169,816)	(15,946,895)	(15,274,458)	(21,028,839)	(20,444,274)
Total	\$ 1,186,292	\$ 1,278,433	\$ 7,262,172	\$ 7,919,392	\$ 8,448,464	\$ 9,197,825

Additional information regarding the City’s capital assets can be found in the notes to the financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION -CONTINUED

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$2,973,829.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2019	2018	2019	2018	2019	2018
General obligation bonds			\$ 1,685,941	\$ 1,807,489	\$ 1,685,941	\$ 1,807,489
Capital leases	\$ 136,601	\$ 222,697	1,087,067	1,203,632	1,223,668	1,426,329
Compensated absences	59,982	67,001			59,982	67,001
Transfer station clean-up costs	4,238	4,443			4,238	4,443
Total	\$ 200,821	\$ 294,141	\$ 2,773,008	\$ 3,011,121	\$ 2,973,829	\$ 3,305,262

The City’s total debt decreased by \$331,433 (ten percent) during the current year. As a general law city, the City 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 notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

- The unemployment rate for Tyler County decreased from 6.5% in September, 2018 to 5.4% in September, 2019, a decrease of 1.1% over the year.
- The sales taxes revenue for the fiscal year ended September 30, 2019 was \$1,204,324, an increase of \$120,917 or 11% over fiscal year 2018 totals.

All of these factors were considered in preparing the City’s budget for the 2020 fiscal year.

During fiscal year 2019, the fund balance in the general fund increased to \$3,368,482.

Water and sewer rates were not increased for the year ended September 30, 2019. Gas rates are adjusted monthly based on the City’s cost.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. 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.

BASIC FINANCIAL STATEMENTS

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 2,361,504	\$ 3,591,289	\$ 5,952,793
Investments	1,650,053	8,219,438	9,869,491
Receivables:			
Taxes	225,326		225,326
Accounts	1,672,866	316,574	1,989,440
Accrued interest	3,134	23,201	26,335
Allowance for uncollectibles	(1,624,505)	(7,909)	(1,632,414)
Restricted cash		357,532	357,532
Restricted investments		58	58
Capital assets (net of accumulated depreciation)	1,186,292	7,262,172	8,448,464
Total assets	<u>5,474,670</u>	<u>19,762,355</u>	<u>25,237,025</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	505,524	151,863	657,387
Deferred outflows related to OPEB	5,717	1,585	7,302
Total deferred outflows of resources	<u>511,241</u>	<u>153,448</u>	<u>664,689</u>
LIABILITIES			
Accounts payable	36,969	59,769	96,738
Accrued interest	3,041	4,618	7,659
Other liabilities	15,115	15,696	30,811
Unearned revenue		1,980,474	1,980,474
Payable from restricted assets:			
Accrued interest		8,266	8,266
Customer meter deposits		163,481	163,481
Noncurrent liabilities:			
Due within one year	148,728	247,077	395,805
Due in more than one year	52,093	2,525,931	2,578,024
Net pension liability	1,330,584	403,324	1,733,908
Total OPEB liability	647,279	291,392	938,671
Total liabilities	<u>2,233,809</u>	<u>5,700,028</u>	<u>7,933,837</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	42,244	15,748	57,992
Deferred inflows related to OPEB	7,236	1,938	9,174
Total deferred outflows of resources	<u>49,480</u>	<u>17,686</u>	<u>67,166</u>
NET POSITION			
Net investment in capital assets	1,049,691	4,489,164	5,538,855
Restricted for retirement of debt		134,877	134,877
Unrestricted	2,652,931	9,574,048	12,226,979
Total net position	<u>\$ 3,702,622</u>	<u>\$ 14,198,089</u>	<u>\$ 17,900,711</u>

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

**CITY OF WOODVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES
Governmental Activities:		
General government	\$ 411,649	\$ 16,710
Public safety	1,156,841	174,870
Highways and streets	349,506	
Sanitation	614,450	593,615
Culture and recreation	45,998	
Interest and fiscal charges	5,279	
	<hr/>	
Total governmental activities	2,583,723	785,195
	<hr/>	
Business-Type Activities:		
Water and sewer	1,619,727	1,745,166
Gas	1,042,050	1,186,633
	<hr/>	
Total business-type activities	2,661,777	2,931,799
	<hr/>	
Total	\$ 5,245,500	\$ 3,716,994
	<hr/> <hr/>	<hr/> <hr/>

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
		\$ (394,939)		\$ (394,939)
\$ 15,292		(966,679)		(966,679)
		(349,506)		(349,506)
		(20,835)		(20,835)
		(45,998)		(45,998)
		(5,279)		(5,279)
15,292		(1,783,236)		(1,783,236)
			\$ 125,439	125,439
			144,583	144,583
			270,022	270,022
\$ 15,292		(1,783,236)	270,022	(1,513,214)

General Revenues:

Ad valorem taxes	456,231		456,231
Sales taxes	1,204,324		1,204,324
Other taxes	187,074		187,074
Unrestricted investment earnings	70,302	258,066	328,368
Gain on sale of capital assets	29,061	5,596	34,657
Other revenues	15,397	110,884	126,281
Total general revenues	1,962,389	374,546	2,336,935
Change in net position	179,153	644,568	823,721
Net position, beginning of year	3,523,469	13,553,521	17,076,990
Net position, end of year	\$ 3,702,622	\$ 14,198,089	\$ 17,900,711

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, 2019

	GENERAL	SANITATION	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 1,733,106	\$ 628,398	\$ 2,361,504
Investments	1,550,095	99,958	1,650,053
Receivables:			
Taxes	225,326		225,326
Accounts	1,605,535	67,331	1,672,866
Accrued interest	3,033	101	3,134
Allowance for uncollectibles	<u>(1,622,465)</u>	<u>(2,040)</u>	<u>(1,624,505)</u>
 Total assets	 <u>\$ 3,494,630</u>	 <u>\$ 793,748</u>	 <u>\$ 4,288,378</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 18,920	\$ 18,049	\$ 36,969
Other liabilities	<u>12,923</u>	<u>2,192</u>	<u>15,115</u>
 Total liabilities	 <u>31,843</u>	 <u>20,241</u>	 <u>52,084</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>94,305</u>	<u>101</u>	<u>94,406</u>
 Total deferred inflows of resources	 <u>94,305</u>	 <u>101</u>	 <u>94,406</u>
 FUND BALANCES			
Assigned:			
2020 budget deficit		58,220	58,220
Unassigned	<u>3,368,482</u>	<u>715,186</u>	<u>4,083,668</u>
 Total fund balances	 <u>3,368,482</u>	 <u>773,406</u>	 <u>4,141,888</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 3,494,630</u>	 <u>\$ 793,748</u>	 <u>\$ 4,288,378</u>

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

CITY OF WOODVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet (page 25)	\$ 4,141,888
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 governmental funds.	1,186,292
Certain revenues are unavailable to pay current period expenditures and therefore are not recognized as revenues in the governmental funds.	94,406
Payables for compensated absences which are not due in the current period are not reported in the governmental funds.	(59,982)
The City's deferred outflows of resources related to OPEB plans are not reported in the governmental funds.	5,717
The City's total OPEB liability is not reported in the governmental funds.	(647,279)
The City's deferred inflows of resources related to pension plans are not reported in the governmental funds.	(7,236)
Payables for transfer station clean-up costs which are not due in the current period are not reported in the governmental funds.	(4,238)
Payables for long-term capital leases are not due in the current period and therefore are not reported in the governmental funds.	(136,601)
Payable for accrued interest on long-term liabilities which is not due in the current period is not reported in the governmental funds.	(3,041)
The City's deferred outflows of resources related to pension plans are not reported in the governmental funds.	505,524
The City's net pension liability is not reported in the governmental funds.	(1,330,584)
The City's deferred inflows of resources related to pension plans are not reported in the governmental funds.	<u>(42,244)</u>
Net position of governmental activities (page 21)	<u><u>\$ 3,702,622</u></u>

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

CITY OF WOODVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	GENERAL	SANITATION	TOTAL GOVERNMENTAL FUNDS
Revenues			
Ad valorem taxes	\$ 453,814		\$ 453,814
Sales taxes	1,204,324		1,204,324
Other taxes	187,074		187,074
Licenses and permits	16,710		16,710
Fines and forfeitures	168,598		168,598
Charges for services		\$ 593,615	593,615
Intergovernmental	15,292		15,292
Investment earnings	52,098	15,070	67,168
Other revenues	40,251	5,410	45,661
	<hr/>		
Total revenues	2,138,161	614,095	2,752,256
<hr/>			
Expenditures			
Current:			
General government	402,518		402,518
Public safety	1,063,814		1,063,814
Highways and streets	330,226		330,226
Sanitation		602,804	602,804
Culture and recreation	43,348		43,348
Debt Service:			
Principal	64,064	22,032	86,096
Interest and fiscal changes	3,881	3,104	6,985
	<hr/>		
Total expenditures	1,907,851	627,940	2,535,791
<hr/>			
Net change in fund balances	230,310	(13,845)	216,465
Fund balances, beginning of year	3,138,172	787,251	3,925,423
<hr/>			
Fund balances, end of year	\$ 3,368,482	\$ 773,406	\$ 4,141,888
<hr/> <hr/>			

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

**CITY OF WOODVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds (page 27)	\$ 216,465
Amounts reported for governmental activities in the Statement of Activities (SOA) (pages 22 - 23) are different because:	
Capital outlays are not reported as expenses in the SOA.	59,470
The depreciation of capital assets used in governmental activities is not reported in the funds.	(150,408)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,203)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	11,823
Compensated absences are reported as the amount earned in the SOA, but as the amount paid in the funds.	7,019
Change in total OPEB liability is reported as the amount earned in the SOA, but as the amount paid in the funds.	53,800
Amount represents the change in transfer station clean-up costs from the beginning of the period to the end of the period.	205
Repayment of capital lease principal is an expenditure in the funds but is not an expense on the SOA.	86,096
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	1,706
The City's recognition of its pension plan expense is not reported in the funds.	(154,687)
Pension contributions made before the measurement date, December 31, 2018, but during fiscal year 2019, are expenditures in the funds, but not expenses in the SOA.	47,291
Pension contributions made after the measurement date, December 31, 2018, are required to be reported as deferred outflows of resources in the statement of net position, not expenses in the SOA.	151,395
The amortization of deferred outflows and deferred inflows for pensions is included in pension expense in the SOA, but not in the funds.	<u>(149,819)</u>
Change in net position of governmental activities (page 23)	<u><u>\$ 179,153</u></u>

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

CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	GAS	TOTALS
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,070,656	\$ 1,520,633	\$ 3,591,289
Investments	7,719,352	500,086	8,219,438
Receivables:			
Accounts	212,930	103,644	316,574
Accrued interest	22,694	507	23,201
Allowance for uncollectibles	(5,802)	(2,107)	(7,909)
Due from other funds	5		5
Total current assets	10,019,835	2,122,763	12,142,598
Noncurrent assets:			
Restricted assets:			
Restricted cash and cash equivalents	311,994	45,538	357,532
Restricted investments	58		58
Total restricted assets	312,052	45,538	357,590
Capital assets (net of accumulated depreciation)	6,446,978	815,194	7,262,172
Total noncurrent assets	6,759,030	860,732	7,619,762
Total assets	16,778,865	2,983,495	19,762,360
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	101,023	50,840	151,863
Deferred outflows related to OPEB	1,125	460	1,585
Total deferred outflows of resources	102,148	51,300	153,448
LIABILITIES			
Current liabilities:			
Accounts payable	22,827	36,942	59,769
Accrued interest	3,079	1,539	4,618
Other liabilities	10,951	4,745	15,696
Due to other funds	5		5
Capital leases - current	80,352	40,176	120,528
Unearned revenue	1,980,474		1,980,474
Total current liabilities	2,097,688	83,402	2,181,090

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

**CITY OF WOODVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	GAS	TOTALS
LIABILITIES - CONTINUED			
Current liabilities payable from restricted assets:			
General obligation bonds - current	126,549		126,549
Accrued interest	8,266		8,266
Customer meter deposits	53,552	109,929	163,481
Total current liabilities payable from restricted assets	188,367	109,929	298,296
Noncurrent liabilities:			
General obligation bonds - long-term	1,559,392		1,559,392
Capital leases - long-term	644,360	322,179	966,539
Net pension liability	255,666	147,658	403,324
Total OPEB liability	222,034	69,358	291,392
Total noncurrent liabilities	2,681,452	539,195	3,220,647
Total liabilities	4,967,507	732,526	5,700,033
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	9,786	5,962	15,748
Deferred inflows related to OPEB	1,405	533	1,938
Total deferred inflows of resources	11,191	6,495	17,686
NET POSITION			
Net investment in capital assets	4,036,325	452,839	4,489,164
Restricted for retirement of debt	134,877		134,877
Unrestricted	7,731,113	1,842,935	9,574,048
Total net position	\$ 11,902,315	\$ 2,295,774	\$ 14,198,089

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, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	GAS	TOTALS
Operating Revenues:			
Charges for services	\$ 1,745,166	\$ 1,186,633	\$ 2,931,799
Operating Expenses:			
Personnel services	399,903	142,094	541,997
Contractual services	292,870	43,551	336,421
Materials and supplies	130,160	25,052	155,212
Cost of services		746,498	746,498
Depreciation	628,328	64,341	692,669
Repairs and maintenance	85,623	2,365	87,988
Bad debts	3,966	(71)	3,895
Other expenses	4,748	4,748	9,496
Total operating expenses	1,545,598	1,028,578	2,574,176
Operating income	199,568	158,055	357,623
Nonoperating Revenues (Expenses):			
Investment earnings	222,335	35,731	258,066
Gain on sale of capital assets	1,323	4,273	5,596
Other revenues	108,794	2,090	110,884
Interest and fiscal charges	(74,129)	(13,472)	(87,601)
Total nonoperating revenues	258,323	28,622	286,945
Change in net position	457,891	186,677	644,568
Net position, beginning of year	11,444,424	2,109,097	13,553,521
Net position, end of year	\$ 11,902,315	\$ 2,295,774	\$ 14,198,089

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, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	GAS	TOTALS
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,746,454	\$ 1,215,561	\$ 2,962,015
Payments to suppliers	(581,009)	(827,766)	(1,408,775)
Payments to employees	(340,888)	(138,365)	(479,253)
Net cash provided by operating activities	<u>824,557</u>	<u>249,430</u>	<u>1,073,987</u>
Cash flows from noncapital financing activities:			
Other nonoperating revenues	<u>105,445</u>	<u>2,090</u>	<u>107,535</u>
Net cash provided by noncapital financing activities	<u>105,445</u>	<u>2,090</u>	<u>107,535</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(21,075)	(14,374)	(35,449)
Proceeds from sale of assets	1,323	4,273	5,596
Principal payments on long-term debt	(192,710)	(38,855)	(231,565)
Interest and fiscal charges on long-term debt	(81,774)	(13,637)	(95,411)
Net cash used in capital and related financing activities	<u>(294,236)</u>	<u>(62,593)</u>	<u>(356,829)</u>
Cash flows from investing activities:			
Purchase of investments	(10,915,735)	(500,000)	(11,415,735)
Investment maturities	7,330,219	43	7,330,262
Investment earnings	<u>176,203</u>	<u>35,180</u>	<u>211,383</u>
Net cash used in investing activities	<u>(3,409,313)</u>	<u>(464,777)</u>	<u>(3,874,090)</u>
Net decrease in cash and cash equivalents	(2,773,547)	(275,850)	(3,049,397)
Cash and cash equivalents, beginning of year	<u>5,156,197</u>	<u>1,842,021</u>	<u>6,998,218</u>
Cash and cash equivalents, end of year	<u>\$ 2,382,650</u>	<u>\$ 1,566,171</u>	<u>\$ 3,948,821</u>

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

**CITY OF WOODVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	GAS	TOTALS
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 199,568	\$ 158,055	\$ 357,623
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	628,328	64,341	692,669
Decrease in accounts receivable - net	5,059	27,711	32,770
(Increase) in deferred outflows related to pensions	(43,676)	(17,049)	(60,725)
(Decrease) in accounts payable	(67,608)	(5,552)	(73,160)
(Decrease) in other liabilities	(516)	(1,373)	(1,889)
Increase in customer meter deposits	195	1,145	1,340
Increase in net pension liability	83,502	31,688	115,190
Increase (decrease) in total OPEB liability	36,397	(4,249)	32,148
(Decrease) in deferred inflows related to pensions	(18,097)	(5,820)	(23,917)
Increase in deferred inflows related to OPEB	1,405	533	1,938
Total adjustments	624,989	91,375	716,364
Net cash provided by operating activities	<u>\$ 824,557</u>	<u>\$ 249,430</u>	<u>\$ 1,073,987</u>

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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. The following is a summary of the more significant accounting policies and practices used by the City.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units.

(A) Reporting Entity

The accompanying financial statements present the government and its component units. Component units are entities for which the primary government is considered to be 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 activities) report information on all of the nonfiduciary activities of the City. 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

(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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. 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.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Sanitation Fund* is a special revenue fund that accounts for the solid waste services to the residents of the City and some residents of the County.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts 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 Fund* accounts 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.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

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 fund 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.

(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 investment in TexPool.

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's agent bank approved pledged securities in an amount sufficient to protect the City's 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.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

1. Deposits and Investments - Continued

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

2. Receivables and Payables

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

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, 2019.

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.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

2. Receivables and Payables - Continued

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, 2019 was 0.3865 per \$100 of assessed valuation. The adjusted total tax levy for fiscal year 2019 was \$447,656, and \$424,777 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.

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 and meter deposits of the Water and Sewer enterprise fund.

5. Capital Assets

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

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

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

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

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.

For the year ended September 30, 2019, the City has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The City reports the deferred outflows and inflows related to the net pension liability and total OPEB liability on the government-wide and proprietary fund statements of net position. Those items are detailed in Note (3)(H) and Note (3)(I). On the governmental funds balance sheet, unavailable revenue is reported as deferred inflows of resources. Those items are detailed in Note (3)(F).

7. Compensated Absences

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

8. Long-Term Obligations

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

8. Long-Term Obligations - Continued

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.

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 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.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

10. Fund Balances - Governmental Funds - Continued

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.

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. 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.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

13. Risk Management

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

The City maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool, a self-insurance pool created by its members to provide various coverages to participating members. Excess insurance is purchased to provide additional financial stability to the Pool. Catastrophic losses that exceed the Pool's self-insured retention are secured by excess insurance purchased from domestic A-rated companies. The Pool's retention is \$10,000,000 per occurrence in excess of member deductibles for property and auto physical damage insurance and \$10,000,000 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.

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.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(1) Summary of Significant Accounting Policies - Continued

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

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 not amended by the City Council during the year ended September 30, 2019. Unexpended appropriations lapse at the end of the fiscal year.

(B) Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(2) Stewardship, Compliance and Accountability - Continued

(B) Compliance and Accountability - Continued

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

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

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

(3) Detailed Notes on All Funds

(A) Cash and Investments

At September 30, 2019, the City's carrying amount for cash deposits including certificates of deposit was \$2,406,910 and the bank balance was \$2,467,198. The City's deposits were entirely FDIC 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 compliance with the requirements of the Act and with local policies.

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

Fair values at September 30, 2019 were obtained from Patterson & Associates.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(A) Cash and Investments - Continued

The City's investments at September 30, 2019 were held by the City, Frost Bank and TexPool and consisted of the following:

INVESTMENTS, INVESTMENT TYPE	AMOUNT	RATING	MATURITY
Debt Securities:			
U.S. Treasuries:			
U. S. Treasury Notes	\$ 498,984		12/31/19
U. S. Treasury Bills	497,009		1/30/20
Government Sponsored Enterprises:			
Federal Home Loan Mortgage Corp Note	2,049,831	Moody's Aaa	4/27/21 - 7/29/21
Federal National Mortgage Association Notes	499,238	Moody's Aaa	2/20/20
Federal Home Loan Bank Note	4,827,340	Moody's Aaa	11/29/19 - 6/30/21
Commercial Paper:			
Malayan Bank CP	499,044	Moody's P-1	10/28/19
Banco Credito Miami CP	499,965	Moody's P-1	10/02/19
Anglesea Funding CP	498,038	Moody's P-1	12/06/19
Asset-Backed Securities:			
FHLMC Multiclass Mortgage Participation Certificates, Series 1208	100	Unrated	2/15/22
Cash Equivalents:			
TexPool	<u>3,902,615</u>	S&P AAAm	
Total investments	<u>\$ 13,772,164</u>		

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy does not limit its investment in asset backed securities, fixed income government issues, or money market mutual funds based on credit ratings. Ratings at September 30, 2019 are shown in the table above.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not place a limit on the amount that can be invested in one issuer. Investments issued by the U.S. government and external investment pools are excluded from this disclosure by GASB 40. At September 30, 2019, more than 5 percent of the City's investments were in Federal Home Loan Mortgage Corporation Notes, which totaled 14.88% of investments and Federal Home Loan Bank Notes, which totaled 35.05% of investments.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(A) Cash and Investments - Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy does not limit investment maturities. Maturities of the debt and asset-backed securities are shown in the table above. The weighted average maturity for TexPool is 34 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, 2019:

U.S. Treasuries of \$995,993 are valued using quoted market prices (Level 1 inputs).

Government sponsored enterprises of \$7,376,409 are valued using quoted market prices (Level 1 inputs).

Commercial paper of \$1,497,047 are valued using quoted market prices (Level 1 inputs).

Asset-backed securities of \$100 are valued using quoted market prices (Level 1 inputs).

There are no nonrecurring fair value measurements.

(B) Restricted Assets

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

	CASH AND CASH EQUIVALENTS	INVESTMENTS	TOTAL
Enterprise Funds:			
Meter deposits	\$ 87,898		\$ 87,898
Bond reserve	269,634	\$ 58	269,692
Total restricted assets	<u>\$ 357,532</u>	<u>\$ 58</u>	<u>\$ 357,590</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(C) Interfund Balances and Activities

1. Due From and To Other Funds

Due from and to other funds at September 30, 2019, consisted of the following:

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

2. Transfers From and To Other Funds

There were no transfers from or to other funds during the year ended September 30, 2019.

(D) Capital Assets

Capital asset activity for the year ended September 30, 2019 is as follows:

	BALANCE OCTOBER 1, 2018	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2019
Governmental activities: Capital assets not being depreciated:				
Land	\$ 264,159			\$ 264,159
Total capital assets not being depreciated	<u>264,159</u>			<u>264,159</u>
Depreciable assets:				
Buildings	794,231			794,231
Improvements/infrastructure	3,057,245			3,057,245
Machinery and equipment	2,332,614	\$ 59,470	\$ (239,483)	2,152,601
Total depreciable assets	6,184,090	59,470	(239,483)	6,004,077
Less accumulated depreciation	<u>(5,169,816)</u>	<u>(150,408)</u>	<u>238,280</u>	<u>(5,081,944)</u>
Total capital assets being depreciated, net	<u>1,014,274</u>	<u>(90,938)</u>	<u>(1,203)</u>	<u>922,133</u>
Governmental activities capital assets, net	<u>\$ 1,278,433</u>	<u>\$ (90,938)</u>	<u>\$ (1,203)</u>	<u>\$ 1,186,292</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(D) Capital Assets - Continued

	BALANCE OCTOBER 1, 2018	ADDITIONS	RETIREMENTS	BALANCE SEPTEMBER 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 37,184			\$ 37,184
Total capital assets not being depreciated	37,184			37,184
Depreciable assets:				
Improvements	22,641,127			22,641,127
Machinery and equipment	515,539	\$ 35,449	\$ (20,232)	530,756
Total depreciable assets	23,156,666	35,449	(20,232)	23,171,883
Less accumulated depreciation	(15,274,458)	(692,669)	20,232	(15,946,895)
Total capital assets being depreciated, net	7,882,208	(657,220)		7,224,988
Business-type activities capital assets, net	\$ 7,919,392	\$ (657,220)		\$ 7,262,172

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

Governmental activities:	
General government	\$ 24,710
Public safety	65,509
Highways and streets	20,363
Sanitation	37,176
Culture and recreation	2,650
Total governmental activities	<u>\$ 150,408</u>
Business-type activities:	
Water and Sewer fund	\$ 628,328
Gas fund	64,341
Total business-type activities	<u>\$ 692,669</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(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%.

\$ 1,615,000

Total general obligation bonds payable

\$ 1,615,000

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

YEARS ENDING SEPTEMBER 30,	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2020	\$ 120,000	\$ 49,600	\$ 169,600
2021	125,000	46,000	171,000
2022	130,000	42,250	172,250
2023	135,000	38,675	173,675
2024	140,000	35,300	175,300
2025 - 2029	785,000	110,087	895,087
2030	180,000	6,075	186,075
Total	<u>\$ 1,615,000</u>	<u>\$ 327,987</u>	<u>\$ 1,942,987</u>

2. Capital Leases

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2019, as follows:

For The Year Ending September 30,	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
2020	\$ 93,081	\$ 157,477	\$ 250,558
2021	25,136	157,477	182,613
2022	25,136	157,477	182,613
2023		157,477	157,477
2024		157,477	157,477
2025-2027		472,431	472,431
Total minimum lease payments	143,353	1,259,816	1,403,169
Less amount representing interest	<u>(6,752)</u>	<u>(172,749)</u>	<u>(179,501)</u>
Present value of minimum lease payments	<u>\$ 136,601</u>	<u>\$ 1,087,067</u>	<u>\$ 1,223,668</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(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 \$137,824. For business-type activities, assets acquired by capital leases consist of improvements of \$1,856,317 less accumulated depreciation of \$464,079. The capital leases are payable from future revenues in the general fund for governmental activities and the Water and Sewer Fund and Gas Fund for business-type activities.

Interest expense on bonds payable and capital leases for governmental activities was \$5,279, and \$87,601 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
<u>Governmental activities</u>					
Capital leases payable	\$ 222,697		\$ 86,096	\$ 136,601	\$ 88,746
Compensated absences	67,001	\$ 59,982	67,001	59,982	59,982
Transfer station clean-up costs	4,443		205	4,238	
Total governmental activities long-term liabilities	<u>\$ 294,141</u>	<u>\$ 59,982</u>	<u>\$ 153,302</u>	<u>\$ 200,821</u>	<u>\$ 148,728</u>
<u>Business-type activities</u>					
General obligation bonds	\$ 1,730,000		\$ 115,000	\$ 1,615,000	\$ 120,000
General obligation bonds premium	77,489		6,548	70,941	6,549
Capital leases payable	1,203,632		116,565	1,087,067	120,528
Total business-type activities long-term liabilities	<u>\$ 3,011,121</u>		<u>\$ 238,113</u>	<u>\$ 2,773,008</u>	<u>\$ 247,077</u>

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(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, 2019 consisted of the following:

	AMOUNT
Governmental Funds:	
Unavailable ad valorem taxes	\$ 27,051
Unavailable fines and forfeitures	64,221
Unavailable investment earnings	3,134
Total deferred inflows of resources	\$ 94,406

(G) Restricted Net Position

Restricted net position reflects amounts that are restricted for retirement of debt as required by various bond covenants. At September 30, 2019, restricted net position of business-type activities consisted of the following:

	WATER AND SEWER FUND	
	BOND	
	RESERVE	TOTAL
Restricted assets:		
Cash and cash equivalents	\$ 269,634	\$ 269,634
Investments	58	58
Total restricted assets	269,692	269,692
Liabilities payable from restricted assets:		
General obligation bonds - current maturities	120,000	120,000
General obligation bonds premium - current maturities	6,549	6,549
Accrued interest	8,266	8,266
Total liabilities payable from restricted assets	134,815	134,815
Restricted net position September 30, 2019	\$ 134,877	\$ 134,877

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System

1. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

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

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019**

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

2. Benefits Provided - Continued

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	13
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 17.52% and 17.26% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$250,733, and were equal to the required contributions.

4. Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Actuarial assumptions

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Actuarial assumptions - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount Rate

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

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Changes in the Net Pension Liability

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

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
	(a)	(b)	(a) - (b)
Balance at December 31, 2017	\$ 8,108,431	\$ 6,919,931	\$ 1,188,500
Changes for the year:			
Service cost	244,684		244,684
Interest	547,786		547,786
Change of benefit terms			
Difference between expected and actual experience	(71,934)		(71,934)
Changes of assumptions			
Contributions - employer		283,005	(283,005)
Contributions - employee		103,429	(103,429)
Net investment income		(207,091)	207,091
Benefit payments, including refunds of employee contributions	(230,858)	(230,858)	
Administrative expense		(4,006)	4,006
Other changes		(209)	209
Net changes	489,678	(55,730)	545,408
Balance at December 31, 2018	<u>\$ 8,598,109</u>	<u>\$ 6,864,201</u>	<u>\$ 1,733,908</u>

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% less than or 1% greater 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	\$ 3,041,310	\$ 1,733,908	\$ 668,438

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019**

(3) Detailed Notes on All Funds - Continued

(H) Texas Municipal Retirement System - Continued

4. Net Pension Liability - Continued

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$386,912.

At September 30, 2019, 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	\$ 105,468	\$ 57,992
Changes in actuarial assumptions	2,082	
Difference between projected and actual investment earnings	359,057	
Contributions subsequent to the measurement date	190,780	
Total	\$ 657,387	\$ 57,992

The \$190,780 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. 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,	
2019	\$ 163,624
2020	75,956
2021	49,191
2023	122,071
2024	(2,227)
Total	\$ 408,615

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

1. Retiree Health Benefits Plan

A. Plan Description

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

Benefits Provided

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

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

Employees covered by benefit terms

At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	
Active employees	<u>14</u>
Total employees covered by benefit terms	<u><u>20</u></u>

B. Total OPEB Liability

The City’s total OPEB liability of \$846,901 was measured as of September 30, 2019 and was determined by an alternative measurement method (AMM) calculation as of that date. The AMM is permitted by GASB Statement No. 75 for employers in plans with fewer than one hundred total plan members.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

1. Retiree Health Benefits Plan - Continued

B. Total OPEB Liability - Continued

Actuarial assumptions and other inputs

The total OPEB liability in the September 30, 2019 AAM calculation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year
Projected salary increases	3.00% per year
Discount rate	3.58%
Employer future premium contribution	Remain a level % of the total cost over time
Healthcare cost trend rates:	Range between 3.00% and 4.80% for fiscal years 2019 through 2029

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

Changes in the Total OPEB Liability

	<u>TOTAL OPEB LIABILITY</u>
Balance at September 30, 2017	<u>\$ 871,689</u>
Changes for the year:	
Service cost	19,015
Interest	31,345
Changes of assumptions or other inputs	(15,474)
Benefit payments	<u>(59,674)</u>
Net changes	<u>(24,788)</u>
Balance at September 30, 2018	<u><u>\$ 846,901</u></u>

The changes of assumptions and other inputs reflects a change in the discount rate from 3.64% at September 30, 2018 to 3.58% at September 30, 2019.

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

1. Retiree Health Benefits Plan - Continued

B. Total OPEB Liability - Continued

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

The following presents the total OPEB liability, calculated using the discount rate of 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (2.58%)	DISCOUNT RATE (3.58%)	1% INCREASE IN DISCOUNT RATE (4.58%)
Total OPEB liability	\$ 960,173	\$ 846,901	\$ 754,890

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

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

	1% DECREASE IN HEALTHCARE COST TREND RATE	CURRENT HEALTHCARE COST TREND RATE	1% INCREASE IN HEALTHCARE COST TREND RATE
Total OPEB liability	\$ 778,715	\$ 846,901	\$ 928,519

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$34,886. At September 30, 2019, the City did not report any deferred outflows of resources or deferred inflows of resources as a result of the measurement date and the reporting date being the same as well as utilization of the AMM.

**CITY OF WOODVILLE, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2019**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB) - Continued

2. Supplemental Death Benefits Fund

A. Plan Description

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

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

Benefits Provided

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

Employees covered by benefit terms

At September 30, 2019, 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	3
Active employees	33
Total employees covered by benefit terms	48

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

2. Supplemental Death Benefits Fund - Continued

B. Total OPEB Liability

The City's total OPEB liability of \$91,770 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

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

Inflation	2.50% per year
Projected salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0

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

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2018.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

2. Supplemental Death Benefits Fund - Continued

B. Total OPEB Liability - Continued

Changes in the Total OPEB Liability

	TOTAL OPEB LIABILITY
Balance at December 31, 2017	\$ 96,459
Changes for the year:	
Service cost	3,989
Interest	3,242
Changes of assumptions or other inputs	(10,886)
Benefit payments	(1,034)
Net changes	(4,689)
Balance at December 31, 2018	\$ 91,770

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% less than or 1% greater than the current rate:

	1% DECREASE IN DISCOUNT RATE (2.71%)	DISCOUNT RATE (3.71%)	1% INCREASE IN DISCOUNT RATE (4.71%)
Total OPEB liability	\$ 107,507	\$ 91,770	\$ 79,025

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$8,893. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience		\$ 4,245
Changes in assumptions or other inputs	\$ 4,471	4,929
Contributions subsequent to the measurement date	2,831	
Total	\$ 7,302	\$ 9,174

**CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019**

(3) Detailed Notes on All Funds - Continued

(I) Other Postemployment Benefits (OPEB)

2. Supplemental Death Benefits Fund - Continued

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

The \$2,831 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>FOR THE PLAN YEAR ENDING DECEMBER 31,</u>	
2019	\$ (687)
2020	(687)
2021	(687)
2023	(687)
2024	(1,341)
Thereafter	<u>(614)</u>
Total	<u>\$ (4,703)</u>

(K) Commitments

1. Letter of Credit

The Texas Commission on Environmental Quality requires the City to obtain a letter of credit for the purposes of funding the clean-up of the City’s transfer station in the event that the City is unable to cover these costs. The City entered into a letter of credit dated August 24, 2019 for \$5,000 with Citizens State Bank, with an interest rate of 7.0% that matures on August 24, 2020. As of the date of this report, there have been no draws against the letter of credit.

2. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

CITY OF WOODVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

(3) Detailed Notes on All Funds - Continued

(K) Commitments - Continued

3. Lease Commitment

The City accounted for non-cancelable lease agreements for copiers as operating leases. Future minimum lease payments as of September 30, 2019 are as follows:

FOR THE YEAR ENDING SEPTEMBER 30,	
2020	\$ 3,687
2021	3,687
2022	614
Total	\$ 7,988

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

4. Litigation

No reportable litigation was pending against the City at September 30, 2019.

(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, 2019, the City has spent \$2,367,039 on the new ground water well construction project and received \$2,364,881 from ETEC for reimbursement to date. During the year ended September 30, 2019, the City recognized revenue of \$68,230 relating to the water procurement and supply agreement in other nonoperating revenues of the Water and Sewer Fund. At September 30, 2019, the amount of unearned revenue related to this agreement was \$1,980,474.

REQUIRED SUPPLEMENTARY INFORMATION

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

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CITY OF WOODVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Ad valorem taxes	\$ 440,000	\$ 440,000	\$ 453,814	\$ 13,814
Sales taxes	1,075,000	1,075,000	1,204,324	129,324
Other taxes	190,000	190,000	187,074	(2,926)
Licenses and permits	13,500	13,500	16,710	3,210
Fines and forfeitures	174,750	174,750	168,598	(6,152)
Intergovernmental	8,700	8,700	15,292	6,592
Investment earnings	30,500	30,500	52,098	21,598
Other revenues	5,000	5,000	40,251	35,251
Total revenues	1,937,450	1,937,450	2,138,161	200,711
Expenditures				
Current:				
General government	416,112	416,112	402,518	13,594
Public safety	1,086,630	1,086,630	1,063,814	22,816
Highways and streets	327,000	327,000	330,226	(3,226)
Culture and recreation	51,250	51,250	43,348	7,902
Debt Service:				
Principal	64,100	64,100	64,064	36
Interest and fiscal changes	3,900	3,900	3,881	19
Total expenditures	1,948,992	1,948,992	1,907,851	41,141
Net change in fund balances	(11,542)	(11,542)	230,310	241,852
Fund balances, beginning of year	3,138,172	3,138,172	3,138,172	
Fund balances, end of year	<u>\$ 3,126,630</u>	<u>\$ 3,126,630</u>	<u>\$ 3,368,482</u>	<u>\$ 241,852</u>

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

CITY OF WOODVILLE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Charges for services	\$ 639,680	\$ 639,680	\$ 593,615	\$ (46,065)
Investment earnings	9,500	9,500	15,070	5,570
Other revenues	200	200	5,410	5,210
	<hr/>			
Total revenues	649,380	649,380	614,095	(35,285)
<hr/>				
Expenditures				
Current:				
Sanitation	699,177	699,177	602,804	96,373
Debt Service:				
Principal	22,050	22,050	22,032	18
Interest and fiscal changes	3,150	3,150	3,104	46
	<hr/>			
Total expenditures	724,377	724,377	627,940	96,437
	<hr/>			
Net change in fund balances	(74,997)	(74,997)	(13,845)	61,152
	<hr/>			
Fund balances, beginning of year	787,251	787,251	787,251	
	<hr/>			
Fund balances, end of year	\$ 712,254	\$ 712,254	\$ 773,406	\$ 61,152
	<hr/> <hr/>			

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

CITY OF WOODVILLE, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
SEPTEMBER 30, 2019

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

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

The budget was not amended by the City Council during the year ended September 30, 2019. Unexpended appropriations lapse at the end of the fiscal year.

At September 30, 2019, there were no expenditures that exceeded appropriations in any legally adopted budget.

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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 244,684	\$ 249,206	\$ 249,347	\$ 219,594	\$ 192,039
Interest (on the total pension liability)	547,786	507,136	461,421	437,111	402,566
Changes of benefit terms					
Difference between expected and actual experience	(71,934)	54,539	144,302	84,726	54,176
Change of assumptions				13,046	
Benefit payments, including refunds of employee contributions	(230,858)	(181,949)	(173,514)	(182,350)	(155,771)
Net change in total pension liability	489,678	628,932	681,556	572,127	493,010
Total pension liability - beginning	8,108,431	7,479,499	6,797,943	6,225,816	5,732,806
Total pension liability - ending (a)	<u>\$ 8,598,109</u>	<u>\$ 8,108,431</u>	<u>\$ 7,479,499</u>	<u>\$ 6,797,943</u>	<u>\$ 6,225,816</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 283,005	\$ 250,565	\$ 236,910	\$ 222,004	\$ 202,798
Contributions - employee	103,429	105,724	106,170	99,235	91,704
Net investment income	(207,091)	820,680	364,672	7,755	277,201
Benefit payments, including refunds of employee contributions	(230,858)	(181,949)	(173,514)	(182,350)	(155,771)
Administrative expenses	(4,006)	(4,259)	(4,121)	(4,726)	(2,894)
Other	(209)	(216)	(222)	(233)	(238)
Net change in plan fiduciary net position	(55,730)	990,545	529,895	141,685	412,800
Plan fiduciary net position - beginning	6,919,931	5,929,386	5,399,491	5,257,806	4,845,006
Plan fiduciary net position - ending (b)	<u>\$ 6,864,201</u>	<u>\$ 6,919,931</u>	<u>\$ 5,929,386</u>	<u>\$ 5,399,491</u>	<u>\$ 5,257,806</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,733,908</u>	<u>\$ 1,188,500</u>	<u>\$ 1,550,113</u>	<u>\$ 1,398,452</u>	<u>\$ 968,010</u>
Plan fiduciary net position as a percentage of total pension liability	79.83%	85.34%	79.28%	79.43%	84.45%
Covered payroll	\$ 1,477,558	\$ 1,510,340	\$ 1,516,712	\$ 1,417,648	\$ 1,310,064
Net pension liability as a percentage of covered payroll	117.35%	78.69%	102.20%	98.65%	73.89%

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

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 250,733	\$ 254,254	\$ 245,181	\$ 247,269	\$ 214,479
Contributions in relation to the actuarially determined contribution	<u>(250,733)</u>	<u>(254,254)</u>	<u>(245,181)</u>	<u>(247,269)</u>	<u>(214,479)</u>
Contribution deficiency (excess)	<hr/> <hr/>				
Covered payroll	\$1,436,287	\$1,484,551	\$1,503,547	\$1,581,971	\$1,373,839
Contributions as a percentage of covered payroll	17.46%	17.13%	16.31%	15.63%	15.61%

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

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

CITY OF WOODVILLE, TEXAS
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS AND SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2019

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	27 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.

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

	2019	2018
Total OPEB Liability		
Service cost	\$ 3,989	\$ 3,474
Interest	3,242	3,232
Changes of benefit terms		
Difference between expected and actual experience	(5,037)	
Change of assumptions	(5,849)	6,522
Benefit payments	(1,034)	(1,057)
Net change in total OPEB liability	(4,689)	12,171
Total OPEB liability - beginning	96,459	84,288
Total OPEB liability - ending	\$ 91,770	\$ 96,459
Covered-employee payroll	\$ 1,477,558	\$ 1,510,340
Total OPEB liability as a percentage of covered-employee payroll	6.21%	6.39%

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

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

Notes to Schedule:

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

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

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 19,015	\$ 53,896
Interest	31,345	64,063
Changes of benefit terms		
Difference between expected and actual experience		
Changes of assumptions	(15,474)	(599,463)
Benefit payments	<u>(59,674)</u>	<u>(32,724)</u>
Net change in total OPEB liability	(24,788)	(514,228)
Total OPEB liability - beginning	<u>871,689</u>	<u>1,385,917</u>
Total OPEB liability - ending	<u>\$ 846,901</u>	<u>\$ 871,689</u>
Covered-employee payroll	\$ 887,537	\$ 1,020,719
Total OPEB liability as a percentage of covered-employee payroll	95.42%	85.40%

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

Notes to Schedule:

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

Changes of assumptions: The changes of assumptions and other inputs reflects a change in the discount rate from 3.64% at September 30, 2018 to 3.58% at September 30, 2019.

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

OTHER SUPPLEMENTARY INFORMATION SECTION

ENTERPRISE FUNDS

Water and Sewer Fund - 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 Fund - 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 FUND

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

	SEPTEMBER 30,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,070,656	\$ 4,850,296
Investments	7,719,352	4,110,338
Receivables:		
Accounts	212,930	215,632
Accrued interest	22,694	
Allowance for uncollectibles	(5,802)	(3,445)
Due from other funds	5	5
Total current assets	10,019,835	9,172,826
Noncurrent assets:		
Restricted assets:		
Restricted cash and cash equivalents	311,994	305,901
Restricted investments	58	118
Total restricted assets	312,052	306,019
Capital assets (net of accumulated depreciation)	6,446,978	7,054,231
Total noncurrent assets	6,759,030	7,360,250
Total assets	16,778,865	16,533,076
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	101,023	57,217
Deferred outflows related to OPEB	1,125	1,255
Total deferred outflows of resources	102,148	58,472
LIABILITIES		
Current liabilities:		
Accounts payable	22,827	90,435
Accrued interest	3,079	3,409
Other liabilities	10,951	11,467
Due to other funds	5	5
Capital leases - current	80,352	77,710
Unearned revenue	1,980,474	1,983,823
Total current liabilities	2,097,688	2,166,849

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

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

	SEPTEMBER 30,	
	2019	2018
LIABILITIES - CONTINUED		
Current liabilities payable from restricted assets:		
General obligation bonds - current	126,549	121,548
Accrued interest	8,266	9,033
Customer meter deposits	53,552	53,357
Total current liabilities payable from restricted assets	188,367	183,938
Noncurrent liabilities:		
General obligation bonds - long-term	1,559,392	1,685,941
Capital leases - long-term	644,360	724,712
Net pension liability	255,666	172,164
Total OPEB liability	222,034	185,637
Total noncurrent liabilities	2,681,452	2,768,454
Total liabilities	4,967,507	5,119,241
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	9,786	27,883
Deferred inflows related to OPEB	1,405	
Total deferred inflows of resources	11,191	27,883
NET POSITION		
Net investment in capital assets	4,036,325	4,444,320
Restricted for retirement of debt	134,877	133,115
Unrestricted	7,731,113	6,866,989
Total net position	\$ 11,902,315	\$ 11,444,424

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 FUND

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2019	2018
Operating Revenues:		
Charges for services	\$ 1,745,166	\$ 1,852,633
Operating Expenses:		
Personnel services	399,903	323,216
Contractual services	292,870	281,887
Materials and supplies	130,160	118,253
Depreciation	628,328	495,389
Repairs and maintenance	85,623	165,813
Bad debts	3,966	2,945
Other expenses	4,748	
Total operating expenses	1,545,598	1,387,503
Operating income	199,568	465,130
Nonoperating Revenues (Expenses):		
Investment earnings	222,335	94,166
Intergovernmental		13,832
Gain on sale of capital assets	1,323	
Other revenues	108,794	88,480
Interest and fiscal charges	(74,129)	(81,128)
Total nonoperating revenues (expenses)	258,323	115,350
Income before contributions and transfers	457,891	580,480
Contributions and Transfers:		
Capital contributions		51,320
Total contributions and transfers		51,320
Change in net position	457,891	631,800
Net position, beginning of year	11,444,424	10,825,604
Cumulative effect of change in accounting principle		(12,980)
Net position, beginning of year, as restated	11,444,424	10,812,624
Net position, end of year	\$ 11,902,315	\$ 11,444,424

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 FUND**

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,746,454	\$ 1,859,462
Payments to suppliers	(581,009)	(753,075)
Payments to employees	(340,888)	(345,010)
	<hr/>	<hr/>
Net cash provided by operating activities	824,557	761,377
	<hr/>	<hr/>
Cash flows from noncapital financing activities:		
Intergovernmental		13,832
Other nonoperating revenues	105,445	153,624
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	105,445	167,456
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(21,075)	(58,177)
Proceeds from sale of capital assets	1,323	
Principal payments on long-term debt	(192,710)	(185,156)
Interest and fiscal charges on long-term debt	(81,774)	(88,729)
Capital grants received		94,392
	<hr/>	<hr/>
Net cash used in capital and related financing activities	(294,236)	(237,670)
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchase of investments	(10,915,735)	(4,110,338)
Investment maturities	7,330,219	1,629,400
Investment earnings	176,203	94,166
	<hr/>	<hr/>
Net cash used in investing activities	(3,409,313)	(2,386,772)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,773,547)	(1,695,609)
Cash and cash equivalents, beginning of year	5,156,197	6,851,806
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 2,382,650	\$ 5,156,197
	<hr/>	<hr/>

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

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

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 199,568	\$ 465,130
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	628,328	495,389
Decrease in accounts receivable - net	5,059	10,339
(Increase) decrease in deferred outflows related to pensions	(43,676)	39,480
(Decrease) in accounts payable	(67,608)	(187,122)
Increase (decrease) in other liabilities	(516)	338
Increase (decrease) in customer meter deposits	195	(565)
Increase (decrease) in net pension liability	83,502	(56,339)
Increase (decrease) in total OPEB liability	36,397	(33,131)
Increase (decrease) in deferred inflows related to pensions	(18,097)	27,858
Increase in deferred inflows related to OPEB	1,405	
Total adjustments	624,989	296,247
Net cash provided by operating activities	\$ 824,557	\$ 761,377

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

GAS ENTERPRISE FUND

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

	SEPTEMBER 30,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,520,633	\$ 1,796,533
Investments	500,086	85
Receivables:		
Accounts	103,644	131,785
Accrued interest	507	
Allowance for uncollectibles	(2,107)	(2,537)
Total current assets	2,122,763	1,925,866
Noncurrent assets:		
Restricted assets:		
Restricted cash and cash equivalents	45,538	45,488
Total restricted assets	45,538	45,488
Capital assets (net of accumulated depreciation)	815,194	865,161
Total noncurrent assets	860,732	910,649
Total assets	2,983,495	2,836,515
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	50,840	33,733
Deferred outflows related to OPEB	460	518
Total deferred outflows of resources	51,300	34,251
LIABILITIES		
Current liabilities:		
Accounts payable	36,942	42,494
Accrued interest	1,539	1,704
Other liabilities	4,745	6,118
Capital leases - current	40,176	38,855
Total current liabilities	83,402	89,171

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

**CITY OF WOODVILLE, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
GAS ENTERPRISE FUND - CONTINUED**

	SEPTEMBER 30,	
	2019	2018
LIABILITIES - CONTINUED		
Current liabilities payable from restricted assets:		
Customer meter deposits	109,929	108,784
Total current liabilities payable from restricted assets	109,929	108,784
Noncurrent liabilities:		
Capital leases - long-term	322,179	362,355
Net pension liability	147,658	115,970
Total OPEB liability	69,358	73,607
Total noncurrent liabilities	539,195	551,932
Total liabilities	732,526	749,887
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	5,962	11,782
Deferred inflows related to OPEB	533	
Total deferred inflows of resources	6,495	11,782
NET POSITION		
Net investment in capital assets	452,839	463,951
Unrestricted	1,842,935	1,645,146
Total net position	\$ 2,295,774	\$ 2,109,097

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 FUND

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2019	2018
Operating Revenues:		
Charges for services	\$ 1,186,633	\$ 837,055
Operating Expenses:		
Personnel services	142,094	119,873
Contractual services	43,551	38,975
Materials and supplies	25,052	25,751
Cost of services	746,498	508,628
Depreciation	64,341	58,352
Repairs and maintenance	2,365	3,109
Bad debts	(71)	1,922
Other expenses	4,748	(20)
Total operating expenses	<u>1,028,578</u>	<u>756,590</u>
Operating income	<u>158,055</u>	<u>80,465</u>
Nonoperating Revenues (Expenses):		
Investment earnings	35,731	26,380
Intergovernmental		1,379
Gain on sale of capital assets	4,273	
Other revenues	2,090	2,800
Interest and fiscal charges	(13,472)	(14,755)
Total nonoperating revenues	<u>28,622</u>	<u>15,804</u>
Change in net position	<u>186,677</u>	<u>96,269</u>
Net position, beginning of year	2,109,097	2,020,043
Cumulative effect of change in accounting principle		<u>(7,215)</u>
Net position, beginning of year, as restated	<u>2,109,097</u>	<u>2,012,828</u>
Net position, end of year	<u>\$ 2,295,774</u>	<u>\$ 2,109,097</u>

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 FUND**

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,215,561	\$ 770,906
Payments to suppliers	(827,766)	(573,069)
Payments to employees	(138,365)	(145,407)
	249,430	52,430
Cash flows from noncapital financing activities:		
Intergovernmental		1,379
Other nonoperating revenues	2,090	2,800
	2,090	4,179
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,374)	(29,949)
Proceeds from sale of capital assets	4,273	
Principal payments on long-term debt	(38,855)	(37,577)
Interest and fiscal charges on long-term debt	(13,637)	(14,916)
	(62,593)	(82,442)
Cash flows from investing activities:		
Purchase of investments	(500,000)	
Investment maturities	43	245,071
Investment earnings	35,180	26,380
	(464,777)	271,451
Net increase (decrease) in cash and cash equivalents	(275,850)	245,618
Cash and cash equivalents, beginning of year	1,842,021	1,596,403
Cash and cash equivalents, end of year	\$ 1,566,171	\$ 1,842,021

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

**CITY OF WOODVILLE
COMPARATIVE STATEMENTS OF CASH FLOWS
GAS ENTERPRISE FUND - CONTINUED**

	FOR THE YEAR ENDED	
	SEPTEMBER 30,	
	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 158,055	\$ 80,465
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	64,341	58,352
(Increase) decrease in accounts receivable - net	27,711	(54,179)
(Increase) decrease in deferred outflows related to pensions	(17,049)	21,663
Increase (decrease) in accounts payable	(5,552)	3,374
(Decrease) in other liabilities	(1,373)	(7,127)
Increase (decrease) in customer meter deposits	1,145	(1,590)
Increase (decrease) in net pension liability	31,688	(23,794)
(Decrease) in total OPEB liability	(4,249)	(36,502)
Increase (decrease) in deferred inflows related to pensions	(5,820)	11,768
Increase in deferred inflows related to OPEB	533	
Total adjustments	91,375	(28,035)
Net cash provided by operating activities	\$ 249,430	\$ 52,430

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

COMPLIANCE SECTION

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



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

4000 S. Medford Drive
Lufkin, Texas 75901

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Woodville, Texas (City) as of and for the year ended September 30, 2019, 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 19, 2020.

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.

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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
February 19, 2020