

CITY OF WOODCREEK, TEXAS

FINANCIAL STATEMENTS

For the Fiscal Year Ended

September 30, 2018

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CPAs | ADVISORS

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CITY OF WOODCREEK, TEXAS

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CITY OF WOODCREEK, TEXAS

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To: The Honorable Mayor and
Members of the City Council
City of Woodcreek, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the City of Woodcreek, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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 and each major fund of the City of Woodcreek, Texas as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in Net Pension Liability and OPEB Liability and Related Ratios and Schedule of Contributions identified as Required Supplementary Information on the table of contents, 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.

ABIR, PC

San Antonio, Texas
March 13, 2019

CITY OF WOODCREEK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2018

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Woodcreek, Texas (the "City") for the fiscal year ended September 30, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

Financial Highlights

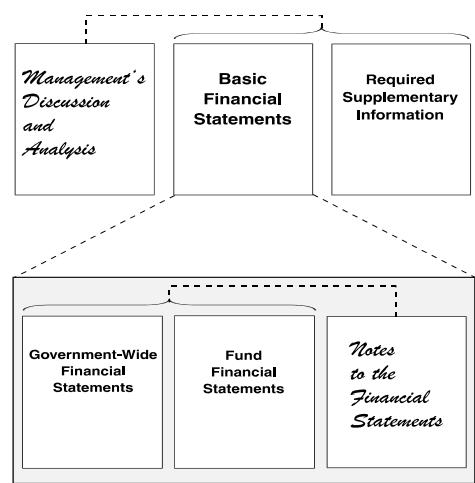
- The assets of the City exceeded its liabilities at September 30, 2018 by \$1,753,126. Of this amount \$1,134,573 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total cost of all City activities was \$395,695 for the fiscal year. The net expense after charges for services and operating contributions was \$353,802.
- During the year, the City's general fund expenditures exceeded revenue by \$1,177,232.
- At September 30, 2018 the City's governmental funds reported combined ending fund balances of \$1,326,795, a net decrease of \$1,168,214. This decrease is mainly due to capital expenditures related to the Series 2017 tax notes.
- At September 30, 2018 the unassigned fund balance for the general fund was \$1,136,517 or 65% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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.

Figure A-1, Required Components of the City's Annual Financial Report



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 shows how the required parts of this annual report are arranged and related to one another.

This discussion and analysis is intended to serve as an introduction to the City of Woodcreek's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information for the City as a whole. These statements include transactions and balances relating to all assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between these 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. Other nonfinancial factors, such as the City's property tax base need to be considered in order to assess the overall health of the City.

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 – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the City's financials as one class of activities:

- Governmental Activities – The City's basic services, for general government, are reported here. Property tax, sales tax, and franchise taxes finance most of these activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The one category of City funds is governmental.

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. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund is always considered a major fund for reporting purposes.

The City adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison schedule has been provided for the general fund and debt service fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes to the financial statements 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 the financial statements are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and the accompanying notes, this report also presents Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and debt service fund, a schedule of changes in net position liability and other post-employment benefit (OPEB) liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,753,126 at year end. A portion of the City's net position, 33%, reflects its investments in capital assets (e.g. land and City Hall, etc.) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

TABLE 1
CITY OF WOODCREEK'S NET POSITION

	GOVERNMENTAL ACTIVITIES	
	2018	2017
Assets:		
Current and other assets	\$ 1,551,507	\$ 2,526,733
Net pension asset	5,329	1,234
Capital assets, net	<u>1,637,275</u>	<u>259,432</u>
 Total assets	 <u>3,194,111</u>	 <u>2,787,399</u>
 Deferred Outflows of Resources:		
Deferred outflows of resources - pensions	8,913	7,804
Deferred outflows of resources - OPEB	<u>1,310</u>	<u>-</u>
 Total deferred outflows of resources	 <u>10,223</u>	 <u>7,804</u>
 Liabilities:		
Other current liabilities	393,117	23,333
Long-term liabilities	1,037,000	1,352,000
OPEB liability	<u>17,960</u>	<u>-</u>
 Total liabilities	 <u>1,448,077</u>	 <u>1,375,333</u>
 Deferred inflows of resources - pension	 <u>3,131</u>	 <u>(625)</u>
 Net Position:		
Investment in capital assets	572,394	259,432
Restricted	46,159	
Unrestricted	<u>1,134,573</u>	<u>1,161,063</u>
 Total net position	 <u>\$ 1,753,126</u>	 <u>\$ 1,420,495</u>

A portion of the City's net position, \$572,394 or 33% represents the City's current investment in capital assets. A portion of the City's net position, \$46,159, or 3%, represents amounts restricted for court security, court technology, public educational, and governmental access channels ("PEG"), and debt service. The remaining balance of net position, \$1,134,573 or 65%, is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Statement of Activities:

The following table provides a summary of the City's changes in net position:

TABLE 2
CITY OF WOODCREEK'S CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	
	2018	2017
REVENUES:		
Program revenues:		
Charges for services	\$ 41,893	\$ 16,583
General revenues:		
Property taxes	441,404	233,501
Sales taxes	52,205	47,561
Franchise and local taxes	185,935	176,754
Investment income	13,667	4,157
Other revenues	<u>7,332</u>	<u>26,707</u>
Total revenues	<u>742,436</u>	<u>505,263</u>
EXPENSES:		
General government	379,003	390,511
Interest fees on debt	<u>16,692</u>	<u>50,397</u>
Total expenses	<u>395,695</u>	<u>440,908</u>
Change in net position	346,741	64,355
NET POSITION, beginning	<u>1,420,495</u>	<u>1,356,140</u>
RESTATEMENT OF NET POSITION	<u>(14,110)</u>	-
NET POSITION, ending	<u>\$ 1,753,126</u>	<u>\$ 1,420,495</u>

For the year ended September 30, 2018, revenues from government activities totaled \$742,436. Overall, governmental revenues increased by 47% mainly due to the City collecting I&S property tax revenue in fiscal year 2018 to service bonds issued in the year ended September 30, 2017. Additional growth in revenues from governmental activities relate to increases in charges for services related to developer fees and higher M&O property tax revenue caused by an increase in property valuations.

For the year ended September 30, 2018, expenses for governmental activities totaled \$395,695, which is a decrease of \$45,216 or 10 %. This decrease in mainly due to a decrease in area care and maintenance, as well as a decrease in legal expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City reported the general fund and the debt service fund as major governmental funds. The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$1,136,517, while total fund balance reached \$1,317,517. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 65% of total general fund expenditures, while total fund balance represents 75% of that same amount.

The City's governmental fund reflects a total fund balance of \$1,326,795. Of the total governmental fund balance, \$144,199 is restricted for capital projects; \$536 and \$714 is restricted for court security and court technology, respectively; \$35,891 is restricted for Public, Educational, and Governmental Access channels ("PEG"); \$9,018 is restricted for debt service, and the remaining balance of \$1,136,517 is unassigned. The fund balance decreased by \$1,168,214. This decrease was mainly due to capital expenditures related to the Series 2017 bond.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year, the general fund had a positive budget variance of \$26,888 from the final budget. This variance was primarily due the City spending less than budgeted for area care and maintenance and other operating expenses. The City's actual revenues exceeded budgeted revenues by \$2,282 with the largest positive variance in investment income and other revenues.

DEBT SERVICE FUND BUDGETARY HIGHLIGHTS

For the year, the general fund had a positive budget variance of \$9,018 from the final budget. This variance was primarily due to the actual interest expense being less than budgeted. The City's actual debt service revenues exceeded budgeted revenues by \$3,072.

CAPITAL ASSETS

At the end of 2018, the City's governmental activities had invested \$1,637,275 in a variety of capital assets (net of accumulated depreciation). This represents a net increase of \$1,377,843 compared to last year.

Major capital asset events during the year included the following:

- Continuing work on road replacement project. 2018 capital expenditures related to projected totaled \$1,378,710.

More detailed information about the City's capital assets is presented in note 3 to the financial statements.

LONG TERM DEBT

At the end of the current year, the City had total tax notes outstanding of \$1,209,000. This balance is related to the Series 2017 tax notes that the City issued at the end of the 2017 fiscal year.

More detailed information about the City's long-term debt is presented in note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The fiscal year 2018-2019 adopted appropriations for the general fund is \$667,550. The adopted appropriations for the debt service fund is \$189,678.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Woodcreek's finances and to show the City's accountability to its taxpayers. Questions concerning this report or requests for additional financial information should be directed to the City Manager, City of Woodcreek, 41 Champion Circle, Wimberly, Texas 78676; telephone (512) 847-9390.

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BASIC FINANCIAL STATEMENTS

CITY OF WOODCREEK, TEXAS

STATEMENT OF NET POSITION

For the year ended September 30, 2018

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,453,484
Receivables (net of allowance for uncollectible):	98,023
Total current assets	<u>1,551,507</u>
Noncurrent assets:	
Net pension asset	5,329
Nondepreciable capital assets	1,524,319
Net depreciable capital assets	<u>112,956</u>
Total noncurrent assets	<u>1,642,604</u>
Total assets	<u>3,194,111</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	8,913
Deferred outflows related to OPEB	<u>1,310</u>
Total deferred outflows of resources	<u>10,223</u>
LIABILITIES	
Current liabilities:	
Accounts payable	211,713
Accrued wages	6,431
Other payroll liabilities	2,973
Noncurrent liabilities:	
OPEB liability	17,960
Long-term liabilities due within one year	172,000
Long-term liabilities due in more than one year	<u>1,037,000</u>
Total liabilities	<u>1,448,077</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>3,131</u>
NET POSITION	
Investment in capital assets	572,394
Restricted:	
Court security	536
Court technology	714
PEG funds	35,891
Street repair	
Debt service	9,018
Unrestricted	
Total net position	<u>\$ 1,753,126</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	
Primary Government			
Governmental Activities:			
General government	\$ 379,003	\$ 41,893	\$ 337,110
Interest and fiscal charges	16,692	-	16,692
Total governmental activities	<u>\$ 395,695</u>	<u>\$ 41,893</u>	<u>353,802</u>
 General Revenues			
Taxes:			
Property taxes			441,404
Sales tax			52,205
Franchise and local taxes			185,935
Investment income			13,667
Other revenue			7,332
Total general revenues			700,543
Change in net position			346,741
Net position - beginning			<u>1,420,495</u>
Restatement of net position at beginning of year			(14,110)
Net position at beginning of year, as restated			<u>1,406,385</u>
Net position - ending			<u>\$ 1,753,126</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
ASSETS			
Cash and cash equivalents	\$ 1,453,484	\$ -	\$ 1,453,484
Taxes receivable, net of allowances for uncollectibles	3,008	587	3,595
Sales tax receivable	9,125	-	9,125
Franchise fees receivable	85,303	-	85,303
Due from general fund	<u>-</u>	<u>9,018</u>	<u>9,018</u>
 Total assets	 <u>\$ 1,550,920</u>	 <u>\$ 9,605</u>	 <u>\$ 1,560,525</u>
LIABILITIES			
Accounts payable	\$ 211,713	\$ -	\$ 211,713
Accrued wages	6,431	-	6,431
Other payroll liabilities	2,973	-	2,973
Due to debt service fund	<u>9,018</u>	<u>-</u>	<u>9,018</u>
 Total liabilities	 <u>230,135</u>	 <u>-</u>	 <u>230,135</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>3,008</u>	<u>587</u>	<u>3,595</u>
 Total deferred inflows of resources	 <u>3,008</u>	 <u>587</u>	 <u>3,595</u>
FUND BALANCE			
Restricted:			
Capital projects	144,119	-	144,119
Court security	536	-	536
Court technology	714	-	714
PEG funds	35,891	-	35,891
Debt service	<u>-</u>	<u>9,018</u>	<u>9,018</u>
Unassigned	<u>1,136,517</u>	<u>-</u>	<u>1,136,517</u>
 Total fund balance	 <u>1,317,777</u>	 <u>9,018</u>	 <u>1,326,795</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 1,550,920</u>	 <u>\$ 9,605</u>	 <u>\$ 1,560,525</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

**RECONCILIATION OF BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2018

Total fund balance - governmental funds balance sheet	\$ 1,326,795
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

Capital assets - nondepreciable	\$ 1,524,319
Capital assets - net depreciable	<u>112,956</u>
	1,637,275

Property taxes receivable unavailable to pay current expenses are deferred in the funds.	3,595
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension asset	5,329
OPEB liability	(17,960)
Deferred outflows - pensions	8,913
Deferred inflows - pensions	(3,131)
Deferred outflows - OPEB	1,310
Noncurrent liabilities due in one year	(172,000)
Noncurrent liabilities due in more than one year	<u>(1,037,000)</u>
	(1,214,539)

Net position of governmental activities - statement of net position	\$ <u>1,753,126</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended September 30, 2018

	Major Funds		Total Governmental Funds
	General Fund	Debt Service Fund	
REVENUES			
Taxes:			
Property taxes	\$ 277,490	\$ 168,710	\$ 446,200
Sales tax	52,205	-	52,205
Franchise and local taxes	185,935	-	185,935
Investment income	13,667	-	13,667
Other revenue	49,225	-	49,225
Total revenues	578,522	168,710	747,232
EXPENDITURES			
Current:			
General government	370,044	-	370,044
Capital outlay	1,385,710	-	1,385,710
Debt service:			
Principal	-	143,000	143,000
Interest and fiscal charges	-	16,692	16,692
Total expenditures	1,755,754	159,692	1,915,446
Excess (deficiency) of revenues over (under) expenditures	(1,177,232)	9,018	(1,168,214)
Net change in fund balances (uses)	(1,177,232)	9,018	(1,168,214)
Fund balance - beginning	2,495,009	-	2,495,009
Fund balance - ending	\$ 1,317,777	\$ 9,018	\$ 1,326,795

The accompanying notes are an integral part of these financial statements.

CITY OF WOODCREEK, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2018

Net change in fund balances - total governmental funds	\$ (1,168,214)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report all capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,385,710
Depreciation expense	(7,867)

Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the Statement of Activities. This is the change in deferred revenues from the prior year

(4,796)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension asset	4,095
Net OPEB liability	(3,171)
Deferred outflows - pensions	1,109
Deferred inflows - pensions	(3,756)
Deferred outflows - OPEB	631

The issuance of long-term debt (e.g. bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Tax notes issued	<u>143,000</u>
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Change in net position of governmental activities - statement of activities	<u>\$ 346,741</u>
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The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies

Reporting entity

The City of Woodcreek, Texas (the “City”) was incorporated under the laws of the State of Texas on August 11, 1984. The City is a general law type-A city that operates under a council-mayor form of government. The City Council is the principal legislative body of the City.

The City provides the following services: street maintenance, area beautification, code enforcement, building inspection and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to 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.

Description of government-wide and fund financial statements

Government-Wide Financial Statements report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (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 revenue are reported instead as general revenue.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

The fund financial statements provide information about the City's fund. Separate statements for each fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The City reports the following governmental funds:

The **general fund** is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes and sales and franchise taxes. Expenditures include general governmental activity. The general fund is always considered a major fund for reporting purposes.

The **debt service fund** accounts for the resources accumulated and payments made for principal and interest on long term debt of the governmental funds.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

The 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded as soon as a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance

- **Cash and cash equivalents.** The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
- **Investments.** State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than AAA or AAA-m or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments except for certain investment pools, commercial paper, money market funds, and investment contracts, are stated at fair value and categorized by using the fair value hierarchy established by generally accepted accounting principles. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

- **Capital assets.** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column 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 and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the City are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Building improvements	10 to 40 years
Machinery and equipment	3 to 7 years

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

- **Deferred outflows/inflows of resources.** In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and fund level balance sheet 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

- **Long-term obligations.** In the government-wide financial, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

- **Net position flow assumptions.** Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted debt 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.

- **Fund balance flow assumptions.** 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.

- **Fund balance policies.** Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted. The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally need to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- **Use of estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.
- **Pensions.** For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position 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 the benefit terms. Investments are reported at fair value.
- **Program revenues.** Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.
- **Property taxes.** Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, and net position/fund balance (continued)

- **Change in accounting policy – Other post-employment benefits.** During fiscal year 2018, the City changed accounting policies related to reporting the net Other Post-Employment Benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources in the statement of net position by implementing GASB Statement No. 75 “Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions”. Accordingly, the effect of the accounting change is reported on the statement of net position and the statement of activities for the current year. The OPEB position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense.

(2) Stewardship, compliance and accountability

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Manager submits to the Council a proposed budget. The Council holds a public hearing on the budget submitted, and all interested persons are given an opportunity to be heard for or against any item or the amount of any item contained therein. After the conclusion of the public hearing, the Council may insert new items or may increase or decrease the items of the budget, except items in proposed expenditures fixed by law, but where it increases the total proposed expenditures, it also provides for an increase in the total anticipated revenue to at least equal such total proposed expenditures, it also provides for an increase in the total anticipated revenue to least equal such total proposed expenditures. The budget is adopted by a majority vote of the members of the whole Council. The budget must be adopted no later than the 15th of September. Should the Council take no final action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the Council. The City Manager may, at any time, transfer any unencumbered appropriation balance or portion thereof between general classifications or expenditures within an office, department, or fund. Therefore, expenditures should not exceed appropriations at the fund level. The Council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or fund to another through formal budget amendments. Unencumbered appropriations lapse at year end. An annual budget is prepared for the General fund and Debt Service fund.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(3) Detailed notes on all funds

Deposits and investments

As of September 30, 2018, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Texas CLASS	\$ 459,685	0.2
Total value	<u>\$ 459,685</u>	

Credit risk – The City’s policy requires that investment pools must be rated no lower than “AAA” or “AAA-m”. As of September 30, 2018, the City’s investments in Texas CLASS was rated AAA-m by Standard & Poor’s.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2018, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted average maturity of any investment owned by the City to the maximum of one year. Eligible investment pools must have a weighted average maturity of no greater than 60 days. The City’s exposure to interest rate risk at September 30, 2018 is summarized in the preceding table as the weighted average days to maturity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (“CLASS”) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the “Agreement”), among certain Texas governmental entities investing in CLASS (the “Participants”), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member Board of Trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS’ website at www.texasclass.com.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(3) Detailed notes on all funds (continued)

Capital assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2018, is as follows:

	Primary Government			
	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 37,850	\$ -	\$ -	\$ 37,850
Construction in progress	107,759	1,378,710	-	1,486,469
Total capital assets not being depreciated	<u>145,609</u>	<u>1,378,710</u>	<u>-</u>	<u>1,524,319</u>
Capital assets being depreciated:				
Buildings and improvements	296,323	-	-	296,323
Machinery and equipment	26,927	7,000	-	33,927
Total capital assets being depreciated	<u>323,250</u>	<u>7,000</u>	<u>-</u>	<u>330,250</u>
Less accumulated depreciation:				
Buildings and improvements	(182,207)	(5,401)	-	(187,608)
Machinery and equipment	(27,220)	(2,466)	-	(29,686)
Total accumulated depreciation	<u>(209,427)</u>	<u>(7,867)</u>	<u>-</u>	<u>(217,294)</u>
Total capital assets being depreciated - net	<u>113,823</u>	<u>(867)</u>	<u>-</u>	<u>112,956</u>
Governmental activities capital assets, net	<u>\$ 259,432</u>	<u>\$ 1,377,843</u>	<u>\$ -</u>	<u>\$ 1,637,275</u>

Depreciation expense of \$7,867 was charged to the general government function.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(3) Detailed notes on all funds (continued)

Long-term liabilities

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds payable					
Tax Note Series 2017	\$ 1,352,000	\$ -	\$ (143,000)	\$ 1,209,000	\$ 172,000
Total	<u>\$ 1,352,000</u>	<u>\$ -</u>	<u>\$ (143,000)</u>	<u>\$ 1,209,000</u>	<u>\$ 172,000</u>

Long-term liabilities due in more than one year \$1,037,000.

Future maturities of the bonds are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 172,000	\$ 17,278	\$ 189,278
2020	183,000	15,021	198,021
2021	195,000	12,429	207,429
2022	207,000	9,471	216,471
2023	219,000	6,069	225,069
2024	233,000	2,120	235,120
	<u>\$ 1,209,000</u>	<u>\$ 62,388</u>	<u>\$ 1,271,388</u>

Federal arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information

Risk management

The City is exposed to various risks of loss related to torts; theft of and damage to property, and destruction of assets; errors and omissions; and natural disasters. The City contracts with the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program providing insurance coverage in the following areas: general liability, automobile liability and physical damage, worker's compensation, real and personal property, and errors and omissions liability. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will be adjusted annually through an experience modifier. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

Contingent liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Pension plan - Texas Municipal Retirement System

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

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

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.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Benefits provided (continued)

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 payments 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 total employee'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 are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty-five (25) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 6%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

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

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	4
Active employees	3
Total	<u>9</u>

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 employer's 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 5% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 2.92% and 3.38% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 was \$3,931 which was equal to the required contributions. For the fiscal year ended September 30, 2018, the City's contributions to TMRS was \$9,471, which was \$4,694 greater than the required contribution of \$4,777.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Net pension liability (asset)

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

Actuarial assumptions

The total pension asset in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. 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 healthy annuitants and Annuity Purchase Rates (APRs) 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, the System adopted the Entry Age Normal (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.

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).

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u><u>100.00%</u></u>	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position 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 total pension liability.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Actuarial assumptions (continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2016	\$ 102,119	\$ 103,353	\$ (1,234)
Changes for the year:			
Service cost	12,114	-	12,114
Interest	7,149	-	7,149
Change of benefit terms	765	-	765
Difference between expected and actual experience	1,124	-	1,124
Change of assumptions	-	-	-
Contributions - employer	-	3,920	(3,920)
Contributions - employee	-	7,076	(7,076)
Net investment income	-	14,329	(14,329)
Benefit payments, including refunds of employee contributions	(6,065)	(6,065)	-
Administrative expenses	-	(74)	74
Other changes	-	(4)	4
Net changes	<u>15,087</u>	<u>19,182</u>	<u>(4,095)</u>
Balance at 12/31/2017	<u>\$ 117,206</u>	<u>\$ 122,535</u>	<u>\$ (5,329)</u>

Sensitivity of the net pension liability/net position asset to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	<u>\$ 3,632</u>	<u>\$ (5,329)</u>	<u>\$ (13,118)</u>

Pension plan fiduciary net position

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

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Pension plan - Texas Municipal Retirement System (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$7,397.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 424	\$ -
Difference between projected and actual investment earnings	-	3,131
Contributions made subsequent to the measurement date	<u>8,489</u>	<u>-</u>
Total	<u>\$ 8,913</u>	<u>\$ 3,131</u>

\$8,489 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 (asset) for the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	
2019	\$ 440
2020	(207)
2021	(1,471)
2022	(1,469)
2023	-
Thereafter	-
Total	<u>\$ (2,707)</u>

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Other post-employment benefits (OPEB) plan

Plan description

The City participates in the defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which the City may elect, by ordinance, to provide group-term life insurance for active members, including retirees.

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 maximum life insurance benefit is \$150,000. Retired employees are insured for \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

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

The contribution rate for the City was 0.15% and .64% for calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$719, and were equal to the required contributions.

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	3
Total	6

Net OPEB liability

The City's total OPEB liability of \$17,960 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Other post-employment benefits (OPEB) plan (continued)

Actuarial Assumptions:

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Methods and Assumptions used to Determine Contribution Rates:

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.31%
Retirees share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Other post-employment benefits (OPEB) plan (continued)

Changes in the total OPEB liability:

	Measurement Year 2017
Total OPEB Liability:	
Service cost	\$ 1,316
Interest on the total OPEB liability	582
Changes in benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	1,358
Benefit payments	<u>(85)</u>
	<u>3,171</u>
Net change in total OPEB liability	<u>3,171</u>
Total OPEB liability - beginning	<u>14,789</u>
Total OPEB liability - ending	<u>\$ 17,960</u>
Total OPEB liability as a percentage of covered payroll	<u>12.69%</u>

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

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

	1% Decrease in Discount Rate <u>(2.31%)</u>	1% Increase in Discount Rate <u>(4.31%)</u>
City's total OPEB liability	<u>\$ 21,453</u>	<u>\$ 17,960</u>

CITY OF WOODCREEK, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(4) Other information (continued)

Other post-employment benefits (OPEB) plan (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$2,665.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 591	\$ -
Contributions made subsequent to the measurement date	<u>719</u>	<u>-</u>
Total	<u><u>\$ 1,310</u></u>	<u><u>\$ -</u></u>

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$ 591
Total	<u><u>\$ 591</u></u>

(5) Restatement of net position

During fiscal year 2018, the City adopted GASB Statement No. 75, “*Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*”. With the adoption of this standard, the City recognized a restatement of beginning net position in the amount of \$14,110 in the governmental activities.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WOODCREEK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
GENERAL FUND

For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
Revenues				
Property taxes	\$ 258,000	\$ 280,000	\$ 277,490	\$ (2,510)
Sales tax	45,000	50,000	52,205	2,205
Franchise and other taxes	178,600	188,300	185,935	(2,365)
Charges for services	16,500	44,940	38,660	(6,280)
Investment income	4,000	8,000	13,667	5,667
Other revenue	14,400	5,000	10,565	5,565
Total revenues	<u>516,500</u>	<u>576,240</u>	<u>578,522</u>	<u>2,282</u>
Expenditures				
Current:				
General government:				
Personnel services	175,560	177,960	175,824	2,136
Professional services	60,800	61,100	66,345	(5,245)
Area care / maintenance	137,000	38,250	27,228	11,022
Office expenses	26,000	23,550	20,883	2,667
Municipal court	38,200	45,400	41,479	3,921
Utilities	10,500	11,200	10,347	853
Insurance	3,500	3,500	3,288	212
Other operating expense	33,000	47,200	24,650	22,550
Contingency reserve	50,240	-	-	-
Capital outlay	<u>1,512,000</u>	<u>1,372,200</u>	<u>1,385,710</u>	<u>(13,510)</u>
Total expenditures	<u>2,046,800</u>	<u>1,780,360</u>	<u>1,755,754</u>	<u>24,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,530,300)</u>	<u>(1,204,120)</u>	<u>(1,177,232)</u>	<u>26,888</u>
Net change in fund balance	<u>(1,530,300)</u>	<u>(1,204,120)</u>	<u>(1,177,232)</u>	<u>26,888</u>
Fund balance, beginning	<u>2,495,009</u>	<u>2,495,009</u>	<u>2,495,009</u>	<u>-</u>
Fund balance, ending	<u>\$ 964,709</u>	<u>\$ 1,290,889</u>	<u>\$ 1,317,777</u>	<u>\$ 26,888</u>

CITY OF WOODCREEK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND

For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
Revenues				
Property taxes	\$ 165,638	\$ 165,638	\$ 168,710	\$ 3,072
Total revenues	<u>165,638</u>	<u>165,638</u>	<u>168,710</u>	<u>3,072</u>
Expenditures				
Principal	140,000	140,000	143,000	(3,000)
Interest	<u>25,638</u>	<u>25,638</u>	<u>16,692</u>	<u>8,946</u>
Total expenses	<u>165,638</u>	<u>165,638</u>	<u>159,692</u>	<u>5,946</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	9,018	9,018
Net change in fund balance	-	-	9,018	9,018
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,018</u>	<u>\$ 9,018</u>

CITY OF WOODCREEK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

***Last 10 years**

	Measurement Year*			
	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 12,114	\$ 9,829	\$ 7,223	\$ 5,994
Interest (on the total pension liability)	7,149	6,268	6,100	5,516
Change in benefit terms	765	-	-	-
Difference between expected and actual experience	1,124	1,117	(4,509)	2,304
Change of assumptions	-	-	1,661	-
Benefit payments, including refunds of employee contributions	(6,065)	(6,065)	(6,065)	(6,104)
Net change in total pension liability	15,087	11,149	4,410	7,710
Total pension liability - beginning	102,119	90,970	86,560	78,850
Total pension liability - ending (a)	<u>\$ 117,206</u>	<u>\$ 102,119</u>	<u>\$ 90,970</u>	<u>\$ 86,560</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,920	\$ 3,561	\$ 2,665	\$ 1,547
Contributions - employee	7,076	6,097	4,486	4,225
Net investment income	14,329	6,320	136	5,019
Benefit payments, including refunds of employee contributions	(6,065)	(6,065)	(6,065)	(6,104)
Administrative expense	(74)	(71)	(83)	(52)
Other	(4)	(4)	(4)	(4)
Net change in plan fiduciary net position	19,182	9,838	1,135	4,631
Plan fiduciary net position - beginning	103,353	93,515	92,380	87,749
Plan fiduciary net position - ending (b)	<u>\$ 122,535</u>	<u>\$ 103,353</u>	<u>\$ 93,515</u>	<u>\$ 92,380</u>
Net pension liability (asset) (a) - (b)	<u>\$ (5,329)</u>	<u>\$ (1,234)</u>	<u>\$ (2,545)</u>	<u>\$ (5,820)</u>
Plan fiduciary net position as a percentage of total pension liability	104.55%	101.21%	102.80%	106.72%
Covered payroll	\$ 141,523	\$ 121,945	\$ 89,729	\$ 84,492
Net pension liability (asset) as a percentage of total covered payroll	-3.77%	-1.01%	-2.84%	-6.89%

* GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF WOODCREEK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the year ended September 30,

***Last 10 fiscal years**

Schedule of Contributions	2018	2017	2016	2015
Actuarially determined contributions	\$ 4,777	\$ 3,931	\$ 3,200	\$ 2,665
Contributions in relation to the actuarially determined contribution	<u>9,471</u>	<u>3,931</u>	<u>3,200</u>	<u>2,665</u>
Contribution deficiency (excess)	<u>\$ (4,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 147,742</u>	<u>\$ 140,063</u>	<u>\$ 109,241</u>	<u>\$ 89,729</u>
Contributions as a percentage of covered payroll	6.41%	2.81%	2.93%	2.97%

* GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF WOODCREEK, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
(OPEB) AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM

For the measurement year ended December 31,

***Last 10 years**

	Measurement Year 2017
Total OPEB Liability:	
Service cost	\$ 1,316
Interest on the total OPEB liability	582
Changes in benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	1,358
Benefit payments	<u>(85)</u>
Net change in total OPEB liability	<u>3,171</u>
Total OPEB liability - beginning	<u>14,789</u>
Total OPEB liability - ending	<u>\$ 17,960</u>
Total OPEB liability as a percentage of covered payroll	<u>12.69%</u>

* GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF WOODCREEK, TEXAS
SCHEDULE OF CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the year ended September 30, 2018

***Last 10 fiscal years**

Schedule of Contributions	<u>2018</u>
Actuarially determined contributions	\$ 772
Contributions in relation to the actuarially determined contribution	<u>772</u>
Contribution deficiency (excess)	\$ -
Covered payroll	<u>\$ 141,523</u>
Contributions as a percentage of covered payroll	0.55%

* GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF WOODCREEK, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2018

(1) Budget information

The budget for the general fund and debt service fund are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year-end.

The original budget for the general fund and debt service fund are adopted by the City Council by September 30. Budgetary preparation and control is exercised at the department level. Both the original and final budget is included.

(2) Schedule of contributions

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% 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. 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.
Mortality	

Other information:

There were no benefit changes during the year.