

**City of Woodway, Texas**  
Financial Statements and  
Supplementary Information  
September 30, 2019  
(With Independent Auditor's Report Thereon)

# City of Woodway, Texas

## Table of Contents

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i
<b>Management’s Discussion and Analysis</b>	iii
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Net Position – Proprietary Fund	6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	7
Statement of Cash Flows – Proprietary Fund	8
Notes to Financial Statements	10
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund – Budget Basis	43
Note to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	44
Schedule of Changes in Net Pension Liability and Related Ratios	45
Schedule of Pension Contributions and Notes to Schedule of Contributions	46
Schedule of Changes in Total OPEB Liability and Related Ratios	47
Schedule of OPEB Contributions and Notes to Schedule of Contributions	48



JAYNES REITMEIER BOYD & THERRELL, P.C.  
Certified Public Accountants  
5400 Bosque Blvd., Ste. 600 | Waco, TX 76710  
P.O. Box 7616 | Waco, TX 76714  
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council  
City of Woodway, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodway, Texas (the "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 included 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. 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 entity'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 entity'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodway, 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.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xi, the budgetary comparison information on pages 43 and 44, and other required supplementary information on pages 45 through 48 (collectively, "the required supplementary information") 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.

March 19, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Woodway, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Woodway, Texas for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$52,277,147 (*net position*). Of this amount, \$6,712,024 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,211,225 during the year, primarily due to continued profitability of operations and developer contributions of \$1.1 million from the Badger Ranch housing development during the current year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,122,057, an increase of \$1,161,302 from the prior year. Approximately 16% of the fund balance, \$2,592,765 (unassigned fund balance), is available for spending at the government's discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$3,846,547, or approximately 41% of total general fund expenditures.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City'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) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements can be found on pages 1 – 2 of 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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 *government funds* and *governmental activities*.

The City maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general capital projects fund, and the future capital street improvements fund, all of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

**Proprietary fund.** 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 an enterprise fund to account for its water and sewer operations. The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 6 - 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 - 41 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary data for the general fund and information related to the net pension and total OPEB liabilities. Required supplementary information can be found on pages 43 through 48 of this report.

### Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Woodway, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$52,277,147 at the close of the most recent fiscal year.

#### City of Woodway Net Position September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 17,426,796	15,920,939	11,651,596	15,123,126	29,078,392	31,044,065
Capital assets, net	21,040,197	20,679,315	25,411,133	20,699,223	46,451,330	41,378,538
Total assets	<u>38,466,993</u>	<u>36,600,254</u>	<u>37,062,729</u>	<u>35,822,349</u>	<u>75,529,722</u>	<u>72,422,603</u>
Deferred outflows of resources	1,891,366	962,342	363,470	252,795	2,254,836	1,215,137
Other current liabilities	1,212,401	865,666	1,474,730	513,134	2,687,131	1,378,800
Noncurrent liabilities	6,124,525	5,071,508	16,614,228	17,520,586	22,738,753	22,592,094
Total liabilities	<u>7,336,926</u>	<u>5,937,174</u>	<u>18,088,958</u>	<u>18,033,720</u>	<u>25,425,884</u>	<u>23,970,894</u>
Deferred inflows of resources	71,744	528,813	9,783	72,111	81,527	600,924
Net position:						
Net investment in capital assets	20,448,795	19,344,321	18,961,193	16,431,568	39,409,988	35,775,889
Restricted - nonexpendable	569,797	545,334	-	-	569,797	545,334
Restricted - expendable	5,207,215	4,801,710	378,123	361,053	5,585,338	5,162,763
Unrestricted	<u>6,723,882</u>	<u>6,405,244</u>	<u>(11,858)</u>	<u>1,176,692</u>	<u>6,712,024</u>	<u>7,581,936</u>
Total net position	<u>\$ 32,949,689</u>	<u>31,096,609</u>	<u>19,327,458</u>	<u>17,969,313</u>	<u>52,277,147</u>	<u>49,065,922</u>

By far, the largest portion of the City’s net position (75%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,712,024 is unrestricted and may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate government activities. For the business-type activities, unrestricted net position is a deficit of \$11,858, which results primarily from the Water and Sewer fund’s recognition of net pension and other postemployment benefits (“OPEB”) liabilities of \$703,565.

**City of Woodway**  
**Changes in Net Position**  
September 30, 2019 and 2018

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	\$ 2,173,311	2,145,550	5,594,001	6,021,184	7,767,312	8,166,734
Operating grants and contributions	50,827	109,461	-	-	50,827	109,461
Capital grants and contributions	518,162	50,000	608,575	-	1,126,737	50,000
General revenues:						
Property taxes	5,244,071	5,041,586	-	-	5,244,071	5,041,586
Sales taxes	2,816,346	2,724,579	-	-	2,816,346	2,724,579
Franchise taxes	725,949	752,374	-	-	725,949	752,374
Hotel occupancy taxes	710,951	775,950	-	-	710,951	775,950
Investment earnings and other general revenues	453,027	325,165	357,813	223,958	810,840	549,123
Total revenues	<u>12,692,644</u>	<u>11,924,665</u>	<u>6,560,389</u>	<u>6,245,142</u>	<u>19,253,033</u>	<u>18,169,807</u>
Expenses:						
General government	1,476,739	1,662,143	-	-	1,476,739	1,662,143
Public safety	5,836,691	5,027,866	-	-	5,836,691	5,027,866
Highways and streets	819,192	766,160	-	-	819,192	766,160
Sanitation	938,833	889,422	-	-	938,833	889,422
Economic development	629,400	591,473	-	-	629,400	591,473
Culture and recreation	1,208,388	1,067,162	-	-	1,208,388	1,067,162
Interest on long-term debt	54,006	60,679	-	-	54,006	60,679
Water and sewer	-	-	5,078,559	5,289,993	5,078,559	5,289,993
	<u>10,963,249</u>	<u>10,064,905</u>	<u>5,078,559</u>	<u>5,289,993</u>	<u>16,041,808</u>	<u>15,354,898</u>

**City of Woodway**  
**Changes in Net Position**  
 (continued)

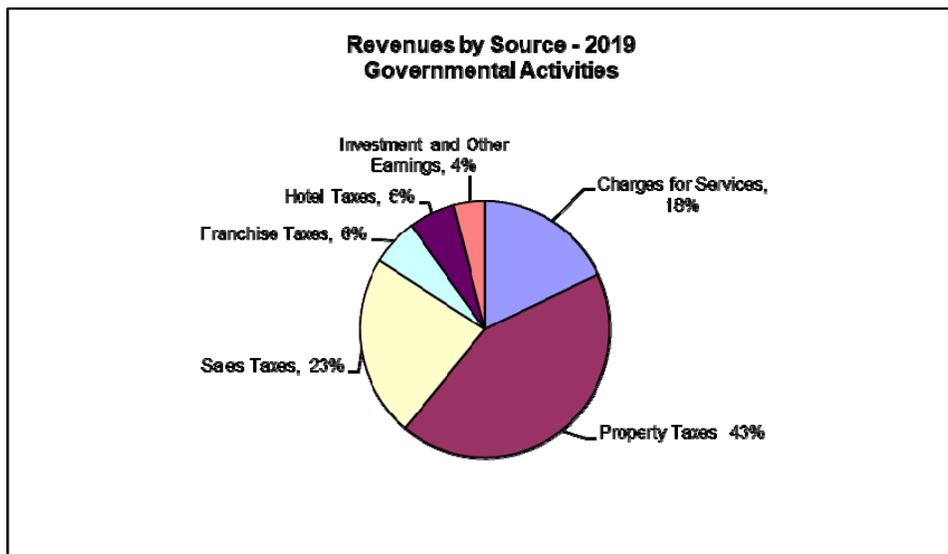
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Increase in net position before transfers	1,729,395	1,859,760	1,481,830	955,149	3,211,225	2,814,909
Transfers	123,685	223,685	(123,685)	(223,685)	-	-
Increase in net position	1,853,080	2,083,445	1,358,145	731,464	3,211,225	2,814,909
Net position, beginning of the year,	31,096,609	29,013,164	17,969,313	17,237,849	49,065,922	46,251,013
Net position, end of the year	\$ 32,949,689	31,096,609	19,327,458	17,969,313	52,277,147	49,065,922

The City’s net position increased by \$3,211,225 during the current fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the City’s net position by \$1,853,080, thereby accounting for approximately 58% of the total growth in the net position of the City.

- Capital grants and contributions increased \$468,162 primarily as a result of contributions from developers for infrastructure at the Badger Ranch housing development.
- Property taxes increased by \$202,485 during the year, which is primarily due to increased property values and new property being added to the tax roll.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services and included a net pension expense recognized during the year.



**Business-type activities.** Business-type activities increased the City's net position by \$1,358,145, accounting for approximately 42% of the total growth in the government's net position. Key elements of this increase are as follows.

- Charges for services decreased \$427,183 due to a decrease in gallons sold due to more rainfall in the summer than in the prior year.
- Capital grants and contributions increased \$608,575 primarily as a result of contributions from developers for water and sewer lines at the Badger Ranch housing development.
- Interest income increased \$133,855 as a result of increases in market interest rates for the investment of the proceeds from the issuance of certificates of obligation in the amount of \$9.2 million.
- Expenses decreased \$211,434, which is primarily due to a reduction in the cost of water purchased from a neighboring city due to decreased demand as a result of more rainfall in the summer than in the prior year.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate 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, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,122,057, an increase of \$1,161,302 from the prior year. Approximately 4% of this total amount (\$602,251) constitutes nonspendable fund balance. Nonspendable fund balance represents net resources that are inherently nonspendable because of their form or because they must remain intact. Approximately 32% (\$5,171,026) of the total fund balance is classified as restricted. Restricted fund balance represents balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Another 40% (\$6,502,233) of the fund balance is reported as committed. Committed fund balances represent resources that can only be used for specific purposes pursuant to constraints imposed by the City Council and would require formal action to remove or modify the commitment. Additionally, another 8% (\$1,253,782) of the fund balance is reported as assigned, which reflects intended uses of resources as determined by management based upon City Council direction. The remaining 16% of the fund balance (\$2,592,765) is reported as unassigned and represents the net residual resources.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,592,765, while total fund balance increased to \$3,862,753. 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 27% of the total general fund expenditures, while total fund balance represents 41% of that same amount.

The fund balance of the City's general fund increased by \$178,579 during the current fiscal year as compared to an increase of \$285,616 in the prior year. Key factors in this increase are as follows: Revenues, transfers in, and proceeds on sale of capital assets exceeded expenditures by \$1,336,164 during the current fiscal year as compared to an increase of \$1,485,616 in the prior year, primarily due to the following:

- Property taxes increased \$245,378 during the year, which is primarily due to increased property values and new property being added to the tax roll.
- Sales taxes increased \$91,767 during the year, which is primarily due to an improving economy and the addition of new businesses within the City.
- Expenditures increased \$450,932, approximately 5% over the prior year, due to annual raises and related increases in the cost for employee benefits.

The City transfers surplus funds from the general fund to various capital projects funds at year-end for future capital projects. A transfer was made at year-end for \$850,000 to the general capital projects fund for the City's slurry seal program, and other future street improvements.

**Proprietary funds.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Total net position of the water and sewer fund at the end of the year amounted to \$19,327,458. The total growth in net position was \$1,358,145. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

There are no differences between the original budget and the final amended budget. There were no significant budget overages in the general fund for the year ended September 30, 2019; however, there was a transfer of \$850,000 to the general capital projects fund that was not budgeted. Additionally, the following budgetary highlights are noted:

- Sales taxes were \$176,346 more than budgeted due to an improving economy and the addition of the new business within the City.
- The \$260,391 and \$528,571 positive variance for general government and public safety expenditures, respectively, results from amounts budgeted for salaries and benefits for authorized positions that were not filled, as well as amounts budgeted during the year for equipment not purchased.

### **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 \$46,451,330 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, land improvements, buildings and improvements, infrastructure, water and sewer facilities, vehicles and equipment, and construction in progress.

**City of Woodway**  
**Capital Assets**  
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 737,279	737,279	397,331	397,331	1,134,610	1,134,610
Intangible assets	199,900	199,900	-	-	199,900	199,900
Land improvements	325,977	351,386	10,484	10,891	336,461	362,277
Buildings and improvements	5,576,598	5,791,686	151,972	160,962	5,728,570	5,952,648
Infrastructure	11,142,490	11,004,332	-	-	11,142,490	11,004,332
Water system facilities	-	-	11,703,436	11,454,867	11,703,436	11,454,867
Sewer system facilities	-	-	6,216,192	6,237,584	6,216,192	6,237,584
Vehicles and equipment	2,492,220	2,551,264	1,186,820	1,012,270	3,679,040	3,563,534
Construction in progress	565,733	43,468	5,744,898	1,425,318	6,310,631	1,468,786
	<u>\$ 21,040,197</u>	<u>20,679,315</u>	<u>25,411,133</u>	<u>20,699,223</u>	<u>46,451,330</u>	<u>41,378,538</u>

Major capital asset events during the current fiscal year included developer contributions of \$1,106,500 for infrastructure from the Badger Ranch housing development; continued work on the Fairway sewer replacement project of \$1,635,250; and current year expenditures of \$993,879 for the McGregor waterline project. Also, the City recognized \$1,643,832 for its undivided interest in ongoing sewer improvement projects for the Waco Area Metropolitan Area Regional Sewer System (“WMARSS”). Additional information on the City’s capital assets can be found in Note 9 on pages 24 - 27 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,435,184. Of this amount, \$561,402 comprises debt backed by the full faith and credit of the government. The remainder of the City’s debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Woodway**  
**Outstanding Long-Term Liabilities**  
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 561,402	1,334,994	-	-	561,402	1,334,994
Revenue bonds	-	-	15,873,782	16,904,319	15,873,782	16,904,319
Note payable	-	-	-	120,676	-	120,676
Compensated absences	403,642	371,510	36,881	36,727	440,523	408,237
Net pension liability	5,008,478	3,214,647	682,974	438,361	5,691,452	3,653,008
Total OPEB liability	151,003	150,537	20,591	20,503	171,594	171,040
	<u>\$ 6,124,525</u>	<u>5,071,688</u>	<u>16,614,228</u>	<u>17,520,586</u>	<u>22,738,753</u>	<u>22,592,274</u>

The City's total long-term debt increased by approximately \$146,479 (less than 1%) during the current fiscal year. This change resulted from scheduled principal payments of \$1.1 million; a partial defeasance of \$0.7 million; and an increase in the net pension liability of approximately \$2.0 million.

The City maintains an "Aa2" rating from Moody's Investors Service, and the City maintains an "AA+" rating from Standard and Poor's. Additional information on the City's long-term debt can be found in Note 10 on pages 27 - 29 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,592,765. The City has not appropriated any of this amount for spending in the 2020 fiscal year budget. The 2020 fiscal year budget of \$11,045,986 for the general fund is a balanced budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Woodway's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Woodway, 922 Estates Drive, Woodway, Texas 76712.

## **Basic Financial Statements**

**City of Woodway, Texas**

Statement of Net Position

September 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 16,007,736	817,612	16,825,348
Accounts receivable, net	833,057	944,996	1,778,053
Prepaid expenses and other assets	16,206	-	16,206
Investments	569,797	-	569,797
Restricted cash and cash equivalents	-	9,888,988	9,888,988
Capital assets not being depreciated:			
Land	737,279	397,331	1,134,610
Intangible assets	199,900	-	199,900
Construction in progress	565,733	5,744,898	6,310,631
Capital assets, net of accumulated depreciation:			
Land improvements	325,977	10,484	336,461
Buildings and improvements	5,576,598	151,972	5,728,570
Infrastructure	11,142,490	-	11,142,490
Water and sewer facilities	-	17,919,628	17,919,628
Vehicles and equipment	2,492,220	1,186,820	3,679,040
Total assets	38,466,993	37,062,729	75,529,722
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	1,891,366	363,470	2,254,836
<b>Liabilities</b>			
Accounts payable	820,768	1,208,309	2,029,077
Accrued liabilities	183,215	122,666	305,881
Customer deposits payable	150,293	125,013	275,306
Unearned revenues	58,125	18,742	76,867
Noncurrent liabilities:			
Due within one year	483,642	826,881	1,310,523
Due in more than one year	5,640,883	15,787,347	21,428,230
Total liabilities	7,336,926	18,088,958	25,425,884
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	71,744	9,783	81,527
<b>Net Position</b>			
Net investment in capital assets	20,448,795	18,961,193	39,409,988
Restricted:			
Non-expendable	569,797	-	569,797
Expendable	5,207,215	378,123	5,585,338
Unrestricted	6,723,882	(11,858)	6,712,024
Total net position	\$ 32,949,689	19,327,458	52,277,147

See accompanying notes to financial statements.

**City of Woodway, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Governmental activities:</b>							
General government	\$ 1,476,739	-	-	-	(1,476,739)	-	(1,476,739)
Public safety	5,836,691	379,654	-	20,237	(5,436,800)	-	(5,436,800)
Highways and streets	819,192	-	-	497,925	(321,267)	-	(321,267)
Sanitation	938,833	1,208,689	-	-	269,856	-	269,856
Economic development	629,400	395,670	-	-	(233,730)	-	(233,730)
Culture and recreation	1,208,388	189,298	50,827	-	(968,263)	-	(968,263)
Interest on long-term debt	54,006	-	-	-	(54,006)	-	(54,006)
Total governmental activities	<u>10,963,249</u>	<u>2,173,311</u>	<u>50,827</u>	<u>518,162</u>	<u>(8,220,949)</u>	<u>-</u>	<u>(8,220,949)</u>
<b>Business-type activities:</b>							
Water and sewer	<u>5,078,559</u>	<u>5,594,001</u>	<u>-</u>	<u>608,575</u>	<u>-</u>	<u>1,124,017</u>	<u>1,124,017</u>
Total business-type activities	<u>5,078,559</u>	<u>5,594,001</u>	<u>-</u>	<u>608,575</u>	<u>-</u>	<u>1,124,017</u>	<u>1,124,017</u>
Total	<u>\$ 16,041,808</u>	<u>7,767,312</u>	<u>50,827</u>	<u>1,126,737</u>	<u>(8,220,949)</u>	<u>1,124,017</u>	<u>(7,096,932)</u>
<b>General revenues:</b>							
Property taxes, levied for general purposes					5,241,071	-	5,241,071
Property taxes, levied for debt service					3,000	-	3,000
Sales taxes					2,816,346	-	2,816,346
Franchise taxes					725,949	-	725,949
Hotel occupancy taxes					710,951	-	710,951
Investment earnings					346,112	325,343	671,455
Miscellaneous					71,580	-	71,580
Gain on disposition of equipment					35,335	32,470	67,805
Transfers					123,685	(123,685)	-
Total general revenues and transfers					<u>10,074,029</u>	<u>234,128</u>	<u>10,308,157</u>
Change in net position					1,853,080	1,358,145	3,211,225
Net position - beginning of year					<u>31,096,609</u>	<u>17,969,313</u>	<u>49,065,922</u>
Net position - end of year					<u>\$ 32,949,689</u>	<u>19,327,458</u>	<u>52,277,147</u>

See accompanying notes to financial statements.

**City of Woodway, Texas**

**Balance Sheet –  
Governmental Funds**

**September 30, 2019**

	<u>General</u>	<u>General Capital Projects</u>	<u>Future Capital Street Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 4,021,415	5,854,444	2,845,013	3,286,864	16,007,736
Accounts receivable	707,611	-	9,240	116,206	833,057
Prepaid expenditures and other assets	16,206	-	-	-	16,206
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,797</u>	<u>569,797</u>
Total assets	\$ <u>4,745,232</u>	<u>5,854,444</u>	<u>2,854,253</u>	<u>3,972,867</u>	<u>17,426,796</u>
<u>Liabilities</u>					
Accounts payable	\$ 439,995	348,085	-	32,688	820,768
Accrued liabilities	158,944	14,369	-	7,177	180,490
Customer deposits	150,293	-	-	-	150,293
Unearned revenue	58,125	-	-	-	58,125
Total liabilities	<u>807,357</u>	<u>362,454</u>	<u>-</u>	<u>39,865</u>	<u>1,209,676</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	<u>75,122</u>	<u>-</u>	<u>9,240</u>	<u>10,701</u>	<u>95,063</u>
<u>Fund Balances</u>					
Nonspendable	16,206	-	-	586,045	602,251
Restricted	-	-	2,845,013	2,326,013	5,171,026
Committed	-	5,491,990	-	1,010,243	6,502,233
Assigned	1,253,782	-	-	-	1,253,782
Unassigned	<u>2,592,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,592,765</u>
Total fund balances	<u>3,862,753</u>	<u>5,491,990</u>	<u>2,845,013</u>	<u>3,922,301</u>	<u>16,122,057</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>4,745,232</u>	<u>5,854,444</u>	<u>2,854,253</u>	<u>3,972,867</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,040,197
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.	95,063
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(4,307,628)</u>
Net position of governmental activities	\$ <u>32,949,689</u>

See accompanying notes to financial statements.

**City of Woodway, Texas**

**Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds**

**Year Ended September 30, 2019**

	<u>General</u>	<u>General Capital Projects</u>	<u>Future Capital Street Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue:</b>					
<b>Taxes:</b>					
Property	\$ 4,544,178	-	524,329	181,494	5,250,001
Sales	2,816,346	-	-	-	2,816,346
Franchise	725,949	-	-	-	725,949
Hotel occupancy	-	-	-	710,951	710,951
License and permits	117,763	-	-	-	117,763
Intergovernmental	20,237	-	-	-	20,237
Charges for services	1,807,648	-	-	-	1,807,648
Fines	219,513	-	-	28,387	247,900
Investment earnings	96,326	103,553	55,663	90,570	346,112
Contributions and donations	25,591	-	-	25,236	50,827
Miscellaneous	68,462	-	-	3,118	71,580
Total revenue	<u>10,442,013</u>	<u>103,553</u>	<u>579,992</u>	<u>1,039,756</u>	<u>12,165,314</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,401,812	-	-	-	1,401,812
Public safety	5,387,705	-	-	19,808	5,407,513
Highways and streets	433,621	-	-	-	433,621
Sanitation	938,833	-	-	-	938,833
Economic development	468,675	-	-	-	468,675
Cultural and recreation	811,854	-	-	100,017	911,871
<b>Debt service:</b>					
Principal	-	-	-	770,000	770,000
Interest	-	-	-	61,348	61,348
Capital outlay	-	464,063	-	305,296	769,359
Total expenditures	<u>9,442,500</u>	<u>464,063</u>	<u>-</u>	<u>1,256,469</u>	<u>11,163,032</u>
Excess (deficiency) of revenue over (under) expenditures	<u>999,513</u>	<u>(360,510)</u>	<u>579,992</u>	<u>(216,713)</u>	<u>1,002,282</u>
<b>Other financing sources (uses):</b>					
Proceeds on sale of capital assets	35,335	-	-	-	35,335
Transfers in	301,316	850,000	-	307,585	1,458,901
Transfers out	(1,157,585)	-	-	(177,631)	(1,335,216)
Total other financing sources (uses)	<u>(820,934)</u>	<u>850,000</u>	<u>-</u>	<u>129,954</u>	<u>159,020</u>
Net changes in fund balances	178,579	489,490	579,992	(86,759)	1,161,302
Fund balances, beginning of year	<u>3,684,174</u>	<u>5,002,500</u>	<u>2,265,021</u>	<u>4,009,060</u>	<u>14,960,755</u>
Fund balances, at end of year	<u>\$ 3,862,753</u>	<u>5,491,990</u>	<u>2,845,013</u>	<u>3,922,301</u>	<u>16,122,057</u>

See accompanying notes to financial statements.

**City of Woodway, Texas**

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities

Year Ended September 30, 2019

Net change in fund balances - total governmental funds	\$ 1,161,302
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,291,254) exceeded the capital asset additions (\$1,154,211) in the current period.	(137,043)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources	497,925
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,930)
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	773,592
Accrued interest expense and compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(28,382)
Governmental funds report contributions to pension/OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which pension/OPEB expense (\$1,286,317) exceeded contributions to the plans (\$877,933) in the current period.	<u>(408,384)</u>
Change in net position of governmental activities	<u>\$ 1,853,080</u>

See accompanying notes to financial statements.

**City of Woodway, Texas**

Statement of Net Position -  
Proprietary Fund

September 30, 2019

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Water and Sewer</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 817,612
Accounts receivable	944,996
Total current assets	<u>1,762,608</u>
Noncurrent assets:	
Restricted cash and cash equivalents	9,888,988
Capital assets:	
Land	397,331
Land improvements	16,261
Buildings and improvements	348,083
Water system facilities	23,038,093
Sewer system facilities	11,502,298
Equipment	2,540,298
Construction in progress	5,744,898
Total capital assets	<u>43,587,262</u>
Less: accumulated depreciation	<u>(18,176,129)</u>
Total capital assets, net	<u>25,411,133</u>
Total noncurrent assets	<u>35,300,121</u>
Total assets	<u>37,062,729</u>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refundings of debt	105,556
Deferred outflows on net pension liability	256,496
Deferred outflows on OPEB liability	1,418
	<u>363,470</u>

(continued)

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Water and Sewer</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 1,208,309
Accrued liabilities	122,666
Unearned revenue	18,742
Payable from restricted assets:	
Customer deposits	125,013
Compensated absences, current portion	36,881
Revenue bonds, current portion	790,000
Total current liabilities	<u>2,301,611</u>
Noncurrent liabilities:	
Revenue bonds	15,083,782
Net pension liability	682,974
OPEB liability	20,591
Total noncurrent liabilities	<u>15,787,347</u>
Total liabilities	<u>18,088,958</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows on net pension liability	8,402
Deferred inflows on OPEB liability	1,381
	<u>9,783</u>
<b>Net Position</b>	
Net investment in capital assets	18,961,193
Restricted for debt service	378,123
Unrestricted	(11,858)
Total net position	<u>19,327,458</u>

See accompanying notes to financial statements.

**City of Woodway, Texas**

Statement of Revenues, Expenses and Changes in Net Position -  
Proprietary Fund

Year Ended September 30, 2019

	Business-type activities - Enterprise Fund
	Water and Sewer
Operating revenue:	
Charges for services	\$ 5,323,909
Miscellaneous	270,092
	5,594,001
Operating expenses:	
Water services	2,539,669
Sewer services	760,532
Customer services	363,750
Depreciation	1,002,622
	4,666,573
Operating income	927,428
Nonoperating revenue (expenses):	
Interest and other income	357,813
Interest and other charges	(411,986)
	(54,173)
Income before contributions and transfers	873,255
Capital contributions	608,575
Transfers out	(123,685)
Change in net position	1,358,145
Net position, at beginning of year	17,969,313
Net position, at end of year	\$ 19,327,458

See accompanying notes to financial statements.

**City of Woodway, Texas**  
**Statement of Cash Flows -**  
**Proprietary Fund**  
**Year Ended September 30, 2019**

	Business-type activities- Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Receipts from customers and users	\$ 5,401,442
Payments to suppliers	(1,948,908)
Payments to employees	(693,805)
Net cash provided by operating activities	2,758,729
Cash flows from noncapital and related financing activities:	
Transfers to other funds	(123,685)
Net cash used in noncapital and related financing activities	(123,685)
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	32,470
Acquisition of capital assets	(5,105,957)
Principal paid on bonds and note payable	(1,090,676)
Interest paid on bonds and note payable	(460,313)
Net cash used in capital and related financing activities	(6,624,476)
Cash flows from investing activities:	
Earnings on investments	325,343
Net cash provided by investing activities	325,343
Net decrease in cash and cash equivalents	(3,664,089)
Cash and cash equivalents, at beginning of year	14,370,689
Cash and cash equivalents, at end of year	\$ 10,706,600

(continued)

**City of Woodway, Texas**

Statement of Cash Flows -  
Proprietary Fund  
(Continued)

	Business-type activities- Enterprise Fund
	Water and Sewer
<b>Cash flows from operating activities:</b>	
Operating income	\$ 927,428
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,002,622
Change in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(192,559)
Pension/OPEB related deferred outflows	(126,685)
Increase (decrease) in liabilities:	
Accounts payable	917,972
Accrued liabilities	49,616
Unearned revenue	(4,932)
Customer deposits	2,740
Compensated absences	154
Net pension/OPEB liabilities	244,701
Pension/OPEB related deferred inflows	<u>(62,328)</u>
Net cash provided by operating activities	<u>\$ 2,758,729</u>
 Contribution of capital assets	 <u>\$ 608,575</u>

See accompanying notes to financial statements.

**City of Woodway, Texas**

## Notes to Financial Statements

September 30, 2019

(1) Nature of Operations and Reporting Entity

The City of Woodway, Texas (the “City”) is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and any of its component units, entities for which the government is considered financially accountable. The City did not identify any entities for which it is financially accountable.

(2) Summary of Significant Accounting Policies(a) 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 primary government. 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 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies (continued)(a) Government-wide and fund financial statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(b) Measurement focus, basis of accounting and financial statement presentation

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 when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General 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 have been recognized

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Measurement focus, basis of accounting  
and financial statement presentation (continued)

as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus*, and the *accrual basis of accounting*.

The City reports the following major governmental funds:

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

General Capital Projects Fund – The general capital projects fund provides funding for non-routine general City projects. These projects are typically significant in cost. The projects are funded through year-end excess transfers from the general fund.

Future Capital Street Improvements Fund – The future capital street improvements fund accounts for property taxes specifically levied for street improvements.

The City reports the following major proprietary fund:

Water and Sewer Fund - The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

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. 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

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Measurement focus, basis of accounting  
and financial statement presentation (continued)

enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Deposits and investments

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand, demand deposits, and deposits in the City's internal cash and public funds investment pools.

State statutes authorize the City to invest in U.S. Treasury and agency securities, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in U.S. Treasury and agency securities, certificates of deposit, fully collateralized repurchase agreements secured by U.S. Treasury and agency securities, and public funds investment pools.

Investments are reported at fair value, except for public funds investment pools. The public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the amortized cost of the pool shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies (continued)(d) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

(e) Inventories and prepaid expenses

All inventories are valued at the lower of cost (first-in, first-out) or market. Inventories are recorded as expenditures when consumed rather than when purchased. 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.

(f) Restricted assets

Restricted cash accounts in the water and sewer fund are used to report (1) unspent bond proceeds, (2) customer deposits, (3) bond reserve funds, and (4) resources set aside for debt service and capital asset acquisition of the Waco Metropolitan Area Regional Sewer System, as more fully discussed in Note 4.

(g) Capital assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, water and sewer facilities, equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected to report general infrastructure assets prospectively from October 1, 2003 as permitted by Governmental Accounting Standards Board Statement No. 34. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two 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.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(g) Capital assets (continued)

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.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 40
Buildings and improvements	5 - 40
Water and sewer systems	5 - 30
Infrastructure	40
Equipment	3 - 40

(h) Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(i) 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 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.

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies (continued)(j) Other Post-Employment Benefits (“OPEB”)

The fiduciary net position of the City’s defined benefit life insurance plan (OPEB Plan) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from the OPEB Plan’s net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan.

(k) Deferred outflows and 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 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 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.

(l) 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(m) Fund balance

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based upon City Council direction. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

The following detail of fund balances by classification is shown for governmental funds:

	<u>General</u>	<u>General Capital Projects</u>	<u>Future Capital Street Improvements</u>	<u>Other Governmental</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures and other assets	\$ 16,206	-	-	-	16,206
Arboretum endowment	-	-	-	586,045	586,045
Restricted for:					
Public safety	-	-	-	202,502	202,502
Highways and streets	-	-	2,845,013	-	2,845,013
Economic development	-	-	-	2,083,748	2,083,748
Debt service	-	-	-	39,763	39,763
Committed to:					
Economic development	-	-	-	132,856	132,856
Culture and recreation	-	-	-	51,653	51,653
Capital projects	-	5,491,990	-	825,734	6,317,724
Assigned to:					
Capital improvements	1,253,782	-	-	-	1,253,782
Unassigned	<u>2,592,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,592,765</u>
	<u>\$ 3,862,753</u>	<u>5,491,990</u>	<u>2,845,013</u>	<u>3,922,301</u>	<u>16,122,057</u>

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(n) Net position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted net position for governmental activities at September 30, 2019 consists of \$586,045 restricted for endowment; \$202,502 restricted for public safety; \$2,854,253 restricted for highway and streets; \$2,085,629 restricted for economic development; and \$48,583 restricted for debt service. Restricted net position for business-type activities at September 30, 2019 consists of \$378,123 restricted for debt service.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$4,307,628 difference are as follows:

General obligation bonds	\$ (545,000)
Plus: issuance premiums (to be amortized as interest expense)	(16,402)
Accrued interest payable	(2,725)
Compensated absences	(403,642)
Net pension / OPEB liability, and related deferred outflows / inflows of \$1,819,622 (to be amortized as pension expense)	<u>(3,339,859)</u>
Net adjustment to reduce <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (4,307,628)</u>

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(3) Reconciliation of Government-wide and Fund Financial Statements (continued)

(b) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds' statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$773,592 difference are as follows:

Principal repayments on bonds	\$ 770,000
Amortization of bond premiums	<u>3,592</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 773,592</u>

(4) Undivided Interest in Waco Area Metropolitan Area Regional Sewer System

During 2004, the City entered into an agreement with the City of Waco, Texas to acquire a 4% undivided interest in the facilities and operations of the Waco Metropolitan Area Regional Sewer System ("WMARSS"). The City believes that its purchase and operation of the system will increase the efficiency and effectiveness of providing sewer treatment services to its citizens.

Under an interlocal agreement, a WMARSS board consists of the city managers from each of the seven participating cities. The operation and administration of the system is subject to joint control by the cities through the WMARSS board; however, a separate legal entity was not created. The agreement allows the cities to pool resources and share the costs,

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(4) Undivided Interest in Waco Area  
Metropolitan Area Regional Sewer System (continued)

risks, and rewards of providing services. Further, each city retains an ongoing financial interest and ongoing financial responsibility in the operations of the system. The City has reported its share of assets, liabilities, equity, revenues, and expenses that are associated with this joint activity in its enterprise fund as follows:

Current assets	\$ 1,300,707
Capital assets	<u>6,826,161</u>
Net position	<u>\$ 8,126,868</u>
Operating expenses	\$ (699,430)
Nonoperating revenue	<u>85,423</u>
Change in net position	<u>\$ (614,007)</u>

As more fully described in Note 18, effective October 1, 2019, the City terminated its participation in WMARSS and entered into a wholesale wastewater contract with the City of Waco, Texas.

(5) Budgets and Budgetary Accounting

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles. Expenditures under the budgetary basis of accounting include all purchase orders and contracts executed during the year and liquidated within 90 days of the end of the fiscal year.

The following procedures are implemented by the City in establishing budgetary data:

- Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
- Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
- The budgets are then legally enacted by the City Council. Formal budgetary integration is employed for the general fund and debt service fund.
- Budget revisions are made during the year.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(5) Budgets and Budgetary Accounting (continued)

- Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual function level. However, budgetary control is maintained at the department level.

Transfers out exceeded appropriations for the general fund for the year ended September 30, 2019 by \$850,000. This over-expenditure was funded by lower than anticipated expenditures in other functions within the general fund.

(6) Deposits and Investments

A summary of the City's cash and cash equivalents at September 30, 2019 follows:

Cash in bank and certificates of deposit	\$ 15,690,733
Undivided interest in bank deposits held by another government	1,300,737
Public funds investments pools:	
Texas Local Government Investment Pool ("TexPool")	1,211,856
Texas Short Term Asset Reserve Fund ("TexStar")	8,511,010
Total cash and cash equivalents	\$ 26,714,336

In January 2016, the City received a bequest in the amount of \$465,488 to establish an endowment fund for the Arboretum, with the stipulation that the corpus remain intact and that 10% of the annual income be added to the corpus to guard against inflation. At September 30, 2019, the City's investments for the endowment fund consisted of the following, all of which are valued using quoted market prices (Level 1):

Money market mutual funds	\$ 38,009
Equity mutual funds	87,473
Common stocks	235,032
Fixed mutual funds	209,283
Total investments	\$ 569,797

The public funds investment pools have been created pursuant to the Interlocal Corporation Act of the State of Texas. The City has delegated the authority to hold legal title to TexPool and TexStar, as custodians and to make investment purchases with the City's funds.

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(6) Deposits and Investments (continued)

*TexPool.* The State Comptroller of Public Accounts (the “Comptroller”) is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the “Trust Company”) which is authorized to operate TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net assets share prices.

*TexStar.* TexStar is a Texas public funds investment pool that is co-administered by J.P. Morgan Chase and First Southwest Asset Management, Inc. TexStar is managed by a five-member board comprised of three representatives of eligible governmental entities and one member designated by each of the co-administrators. There are no maximum transaction amounts and withdrawals from TexStar may be made daily. TexStar uses amortized cost rather than fair value to report net assets share prices

*Custodial Credit Risk.* The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City’s investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term securities, (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City’s policy not to invest in securities maturing more than one year from the date of purchase. For repurchase agreements, the maximum maturity is 90 days. At September 30, 2019, the weighted average maturity of TexPool and TexStar is 36 days and 22 days, respectively.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

6) Deposits and Investments (continued)

*Credit risk.* The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. At September 30, 2019, TexPool and TexStar are rated AAAM by Standard & Poor's.

(7) Receivables

Receivables as of September 30, 2019 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Future Capital Street Improvements</u>	<u>Other Governmental</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 75,122	9,240	10,701	-	95,063
Sales and franchise taxes	491,893	-	-	-	491,893
Hotel occupancy taxes	-	-	105,237	-	105,237
Accounts	168,686	-	-	1,092,129	1,260,815
Other	2,614	-	268	-	2,882
	<u>738,315</u>	<u>9,240</u>	<u>116,206</u>	<u>1,092,129</u>	<u>1,955,890</u>
Gross receivables					
Less: allowance for uncollectibles	<u>30,704</u>	<u>-</u>	<u>-</u>	<u>147,133</u>	<u>177,837</u>
	<u>\$ 707,611</u>	<u>9,240</u>	<u>116,206</u>	<u>944,996</u>	<u>1,778,053</u>

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the 2018 levy was based was \$1,159,873,812.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2019 were 99.5% of the tax levy.

(8) Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unearned revenue of \$58,125 reported in the governmental funds related to Woodway Family Center fees collected but not yet earned as of year-end. Additionally, unearned revenue of \$18,742 reported in the water and sewer fund related to fees collected in advance for the sale of reuse water.

**City of Woodway, Texas**  
Notes to Financial Statements  
(Continued)

(9) Capital Assets

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

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 737,279	-	-	737,279
Intangible assets	199,900	-	-	199,900
Construction in progress	43,468	522,265	-	565,733
Total capital assets not being depreciated	<u>980,647</u>	<u>522,265</u>	<u>-</u>	<u>1,502,912</u>
Capital assets, being depreciated:				
Land improvements	875,282	-	-	875,282
Buildings and improvements	9,660,139	140,119	-	9,800,258
Infrastructure	13,866,175	497,925	-	14,364,100
Vehicles and equipment	8,775,979	491,827	(130,954)	9,136,852
Total capital assets being depreciated	<u>33,177,575</u>	<u>1,129,871</u>	<u>(130,954)</u>	<u>34,176,492</u>
Less: accumulated depreciation for:				
Land improvements	(523,896)	(25,409)	-	(549,305)
Buildings and improvements	(3,868,453)	(355,207)	-	(4,223,660)
Infrastructure	(2,861,843)	(359,767)	-	(3,221,610)
Vehicles and equipment	(6,224,715)	(550,871)	130,954	(6,644,632)
Total accumulated depreciation	<u>\$ (13,478,907)</u>	<u>(1,291,254)</u>	<u>130,954</u>	<u>(14,639,207)</u>
Total capital assets, being depreciated, net	<u>19,698,668</u>	<u>(161,383)</u>	<u>-</u>	<u>19,537,285</u>
Governmental activities capital assets, net	<u>\$ 20,679,315</u>	<u>360,882</u>	<u>-</u>	<u>21,040,197</u>

**City of Woodway, Texas**  
Notes to Financial Statements  
(Continued)

(9) Capital Assets (continued)

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Land	397,331	-	-	397,331
Construction in progress	1,425,318	4,332,740	(13,160)	5,744,898
Total capital assets not being depreciated	<u>1,822,649</u>	<u>4,332,740</u>	<u>(13,160)</u>	<u>6,142,229</u>
Capital assets, being depreciated:				
Land improvements	16,261	-	-	16,261
Buildings and improvements	348,083	-	-	348,083
Water system facilities	22,283,319	754,774	-	23,038,093
Sewer system facilities	11,163,687	338,611	-	11,502,298
Vehicles and equipment	2,329,805	301,567	(91,074)	2,540,298
Total capital assets being depreciated	<u>36,141,155</u>	<u>1,394,952</u>	<u>(91,074)</u>	<u>37,445,033</u>
Less accumulated depreciation for:				
Land improvements	(5,370)	(407)	-	(5,777)
Buildings and improvements	(187,121)	(8,990)	-	(196,111)
Water system facilities	(10,828,452)	(506,205)	-	(11,334,657)
Sewer system facilities	(4,926,103)	(360,003)	-	(5,286,106)
Vehicles and equipment	(1,317,535)	(127,017)	91,074	(1,353,478)
Total accumulated depreciation	<u>(17,264,581)</u>	<u>(1,002,622)</u>	<u>91,074</u>	<u>(18,176,129)</u>
Total capital assets, being depreciated, net	<u>18,876,574</u>	<u>392,330</u>	<u>-</u>	<u>19,268,904</u>
Business-type activities capital assets, net	<u>\$ 20,699,223</u>	<u>4,725,070</u>	<u>(13,160)</u>	<u>25,411,133</u>

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(9) Capital Assets (continued)

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

Governmental activities:	
General government	\$ 25,351
Public safety	470,779
Highways and streets	368,590
Economic and physical development	159,046
Culture and recreation	<u>267,488</u>
Total depreciation expense - governmental activities	<u>\$ 1,291,254</u>
Business-type activities:	
Water and sewer	<u>\$ 1,002,622</u>

Construction Commitments

The City has active construction projects as of September 30, 2019. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitments</u>
Governmental activities:		
Design and reconstruction of streets	\$ 170,309	168,652
Street Micro-Seal Surfacing improvements	273,021	21,663
Woodway Family Center	102,810	24,709
Carleen Bright Arboretum Fountain	<u>19,593</u>	<u>4,200</u>
Total	<u>\$ 565,733</u>	<u>219,224</u>
Business-type activities:		
McGregor Waterline project	\$ 993,879	-
Sewer projects - WMARSS	2,366,640	-
Fairway Sewer Interceptor Replacement	2,324,600	1,063,653
Other water and sewer projects	<u>59,779</u>	<u>112,151</u>
	<u>\$ 5,744,898</u>	<u>1,175,804</u>

## City of Woodway, Texas

### Notes to Financial Statements (Continued)

#### (9) Capital Assets (continued)

The City has entered into a joint agreement with the City of McGregor, Texas for the McGregor waterline project, and the City has completely funded its portion of the total cost of the project as of September 30, 2019. Also, as more fully described in Note 18, effective October 1, 2019, the City terminated its participation in WMARSS and entered into a wholesale wastewater contract with the City of Waco, Texas. The governmental activities commitments will be financed with available resources. The Fairway Sewer Interception Replacement and other water and sewer projects will be funded with bond proceeds.

#### (10) Long-Term Liabilities

Long-term liabilities consist of bonded indebtedness, compensated absences, a net pension liability, and a total OPEB liability. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for the business-type activities. For the governmental activities, compensated absences, the net pension liability, and total OPEB liability are generally liquidated by the general fund and the enterprise fund.

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>October 1,</u> <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30,</u> <u>2019</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General obligation bonds \$	1,315,000	-	(770,000)	545,000	80,000
Plus: deferred premiums	19,994	-	(3,592)	16,402	-
Total bonds payable	<u>1,334,994</u>	<u>-</u>	<u>(773,592)</u>	<u>561,402</u>	<u>80,000</u>
Compensated absences	371,510	371,828	(339,696)	403,642	403,642
Net pension liability	3,214,647	1,793,831	-	5,008,478	-
Total OPEB liability	<u>150,357</u>	<u>13,426</u>	<u>(12,780)</u>	<u>151,003</u>	<u>-</u>
	<u>\$ 5,071,508</u>	<u>2,179,085</u>	<u>(1,126,068)</u>	<u>6,124,525</u>	<u>483,642</u>
Business-type activities:					
Bonds payable:					
Revenue bonds \$	16,155,000	-	(970,000)	15,185,000	790,000
Plus: deferred premiums	749,319	-	(60,537)	688,782	-
Total bonds payable	<u>16,904,319</u>	<u>-</u>	<u>(1,030,537)</u>	<u>15,873,782</u>	<u>790,000</u>
Note payable	120,676	-	(120,676)	-	-
Compensated absences	36,727	30,411	(30,257)	36,881	36,881
Net pension liability	438,361	244,613	-	682,974	-
Total OPEB liability	<u>20,503</u>	<u>1,831</u>	<u>(1,743)</u>	<u>20,591</u>	<u>-</u>
	<u>\$ 17,520,586</u>	<u>276,855</u>	<u>(1,183,213)</u>	<u>16,614,228</u>	<u>826,881</u>

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(10) Long-Term Liabilities (continued)

General obligation bonds payable at September 30, 2019, are comprised of the following individual issues:

\$1,815,000 - 2011 combination tax and revenue certificates of obligation due in annual installments of \$80,000 to \$100,000 through August 15, 2025, interest at 4.00%	\$ <u>545,000</u>
	\$ <u><u>545,000</u></u>

Annual debt service requirements to maturity for governmental activities are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 80,000	21,800
2021	85,000	18,600
2022	90,000	15,200
2023	95,000	11,600
2024	95,000	7,800
2025	<u>100,000</u>	<u>4,000</u>
	<u>\$ 545,000</u>	<u>79,000</u>

For business-type activities, revenue bonds outstanding at September 30, 2019 are comprised of the following individual issues:

\$2,705,000 - 2011 general obligation refunding bond due in annual installments of \$90,000 to \$430,000 through August 15, 2021, interest at 2% to 4%	\$ 200,000
\$3,400,000 - 2016 general obligation refunding bond due in annual installments of \$35,000 to \$375,000 through September 30, 2027, interest at 2% to 3%	2,750,000

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(10) Long-Term Liabilities (continued)

\$3,670,000 - 2016 combination tax and revenue certificate of obligation due in annual installments of \$90,000 to \$430,000 through September 30, 2031, interest at 2% to 2.25%	\$ 3,035,000
\$9,200,000 - 2017 combination tax and revenue certificate of obligation due in annual installments of \$155,000 to \$545,000 through August 15, 2042, interest at 3% to 4%	<u>9,200,000</u>
	<u><u>\$ 15,185,000</u></u>

For business-type activities, note payable to the City of Waco, Texas of \$120,676 was paid in full during 2019.

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 790,000	432,662
2021	815,000	410,262
2022	835,000	387,062
2023	860,000	364,422
2024	885,000	338,162
2025-2029	4,290,000	1,352,910
2030-2034	2,815,000	849,211
2035-2039	2,315,000	499,777
2040-2042	<u>1,580,000</u>	<u>111,825</u>
	<u><u>\$ 15,185,000</u></u>	<u><u>4,746,293</u></u>

The City is required under provisions of the revenue bond ordinances to maintain interest and sinking funds adequate for payments of principal and interest and has pledged certain net operating revenues (after the payment of operation and maintenance expenses) of the water and sewer fund to repay \$16.1 million in revenue bonds issued from 2007 to 2017. Proceeds from the bonds provided financing for the construction of water and sewer system facilities. The total principal and interest remaining to be paid on the bonds is \$18.3 million. Principal and interest paid for the current year (including defeased debt) and total of pledged net operating revenues of the water and sewer fund were \$1,770,561 and \$936,282, respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(11) Defined Benefit Pension Plan

*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.tmrs.com](http://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.

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.

*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 current receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>85</u>
	<u>193</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 contribution rate for each city is determined annually by the actuary, using the Entry Age Normal 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.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(11) Defined Benefit Pension Plan (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.40% and 16.46% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$876,867 and were equal to the required contributions.

*Net Pension Liability* - The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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 Table 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 the 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 to 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 Rate ("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, TMRS adopted the Entry Age Normal 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 Woodway, Texas**

Notes to Financial Statements  
(Continued)

(11) Defined Benefit Pension Plan (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, the actuarial firm 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
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%
Totals	<u>100.0%</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 Woodway, Texas**

Notes to Financial Statements  
(Continued)

(11) Defined Benefit Pension Plan (continued)

**Changes in the Net Pension Liability**

		Increase (Decrease)		
		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	\$	26,828,012	23,175,004	3,653,008
Changes for the year:				
Service cost		809,551	-	809,551
Interest		1,789,433	-	1,789,433
Difference between expected and actual experience		(88,985)	-	(88,985)
Contributions - employer		-	827,205	(827,205)
Contributions - employee		-	353,075	(353,075)
Net investment income		-	(694,608)	694,608
Benefit payments, including refunds of employee contributions		(1,445,329)	(1,445,329)	-
Administrative expense		-	(13,417)	13,417
Other changes		-	(700)	700
Net changes		1,064,670	(973,774)	2,038,444
Balance at December 31, 2018	\$	27,892,682	22,201,230	5,691,452

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

		1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$	10,020,894	5,691,452	2,187,784

*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](http://www.tmrs.com).

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(11) Defined Benefit Pension Plan (continued)

*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 \$1,321,395. At September 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 630,524	-
Differences between expected and actual experience	300,296	67,748
Change in assumptions	-	2,270
Difference between projected and actual earnings on pension plan investments	<u>1,206,641</u>	<u>-</u>
Total	<u>\$ 2,137,461</u>	<u>70,018</u>

The \$630,524 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:

<u>Year Ended December 31:</u>	
2019	\$ 546,489
2020	262,892
2021	179,790
2022	<u>447,748</u>
	<u>\$ 1,436,919</u>

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(12) Other Post-Employment Benefits (“OPEB”)

*Plan Description* - The City also participates in a defined benefit group term life insurance plan administered by the Texas Municipal Retirement System (“TMRS”) known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. As the TMRS SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board (“GASB”) No 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City’s yearly contributions for 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 death benefit for retirees is a fixed amount of \$7,500.

*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 current receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>85</u>
	<u>119</u>

*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 City’s contributions to the SDBF for the year ended September 30, 2019 were \$1,066, respectively, which equaled the required contribution for the year.

*Total OPEB Liability* - The City’s total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(12) Other Post-Employment Benefits (“OPEB”) (continued)

*Actuarial assumptions:* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% per year, including inflation
Discount rate	3.71% (based on the Fidelity Index’s “20-Year Municipal GO AA index” rate as of December 31, 2017)
Overall payroll growth	3.0% per year
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust

Mortality rates for service retirees were based on the 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 a scale BB. For disabled retirees, the RP2000 Combined Mortality Table with Blue Collar Adjustment were used 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 a scale BB to account for the future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The changes in the total OPEB liability for the measurement period ending December 31, 2018 was as follows

	Total OPEB Liability
Balance at December 31, 2017	\$ <u>170,860</u>
Changes for the year:	
Service cost	8,575
Interest	5,781
Differences between expected and actual experience	901
Changes in assumptions or other inputs	(13,514)
Benefit payments **	<u>(1,009)</u>
Net changes	<u>734</u>
Balance at December 31, 2018	\$ <u><u>171,594</u></u>

\*\*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer’s yearly contribution for retirees.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(12) Other Post-Employment Benefits (“OPEB”) (continued)

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:* The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.71%) or one percentage point higher (4.71%) than the current rate:

	<u>1% Decrease in Discount Rate (2.71%)</u>	<u>Current Discount Rate (3.71%)</u>	<u>1% Increase in Discount Rate (4.71%)</u>
City's total OPEB liability	\$ <u>208,362</u>	<u>171,594</u>	<u>143,416</u>

*OPEB 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 \$14,655. At September 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 766	-
Differences between expected and actual experience	767	
Change in assumptions	<u>10,286</u>	<u>11,509</u>
Total	<u>\$ 11,819</u>	<u>11,509</u>

The \$766 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:

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(12) Other Post-Employment Benefits (“OPEB”) (continued)

<u>Year Ended December 31:</u>	
2019	\$ 299
2020	299
2021	299
2022	299
2023	(265)
Thereafter	<u>(1,387)</u>
	<u>\$ (456)</u>

(13) Deferred Outflows/Inflows of Resources

The statement of financial position and the balance sheet includes the following deferred outflows/inflows of resources at September 30, 2019:

	<u>Statement of Net Position</u>		<u>Balance Sheet</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>General</u>	<u>Future Capital Street Improve- ments</u>	<u>Other Govern- mental</u>
Deferred outflows of resources:					
Deferred charge on refunding	\$ -	105,556	-	-	-
Net pension liability	1,880,965	256,496	-	-	-
Total OPEB liability	<u>10,401</u>	<u>1,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,891,366</u>	<u>363,470</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable property tax revenues	\$ -	-	75,122	9,240	10,701
Net pension liability	61,616	8,402	-	-	-
Total OPEB liability	<u>10,128</u>	<u>1,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 71,744</u>	<u>9,783</u>	<u>75,122</u>	<u>9,240</u>	<u>10,701</u>

*Deferred Outflows of Resources:* The deferred charge on refunding, resulting from the difference in the carrying value of refunded debt and its reacquisition price, is amortized as interest expense over the shorter of the life of the refunded debt or refunding debt. Post-measurement date contributions will be recognized as a reduction of the net pension/OPEB liability in the following fiscal year. The pension/OPEB related deferred amounts will be amortized into pension/OPEB expense.

**City of Woodway, Texas**

Notes to Financial Statements  
(Continued)

(13) Deferred Outflows and Inflows of Resources (continued)

*Deferred Inflows of Resources:* The governmental funds, under the modified accrual basis of accounting, report unavailable revenues from property taxes, which is deferred and recognized as an inflow of resources in the period that the amounts become available. The pension/OPEB amounts will be amortized into pension/OPEB expense.

(14) 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 has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverages. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

(15) Interfund Transfers

Following is a summary of transfers for the year ended September 30, 2019.

	Transfers In			Total
	General	General Capital Projects	Nonmajor Govern- mental	
Transfers out:				
General	\$ -	850,000	307,585	1,157,585
Nonmajor governmental	177,631	-	-	177,631
Water and sewer	123,685	-	-	123,685
Total transfers	<u>\$ 301,316</u>	<u>850,000</u>	<u>307,585</u>	<u>1,458,901</u>

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(15) Interfund Transfers (continued)

Transfers are used to (1) move revenues from the fund responsible for collecting them to the fund responsible for expending them as required by statute or budget, and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Also, the City made payments from the water and sewer fund to the general fund in lieu of taxes. The City reported these payments as transfers.

(16) Commitments and Contingencies

The City has contracted with private companies for the collection and disposal of refuse. The City negotiated a collection contract, with an effective date of June 1, 2017, for a term of five years, with the option to renew and extend the contract for two successive 2-year terms. Under the terms of the contract, the City will be responsible for billing and collection of all waste collection fees and will pay collection fees to the companies on a monthly basis as authorized in the contract regardless of the amount collected from residents.

In order to provide a long-term, reliable water supply, the City has become a member of the Bluebonnet Water Supply Corporation (“Bluebonnet”). As a member of Bluebonnet, the City will be able to provide input into the operations as one of eight members of the Board. Under the agreement, the City will be required to purchase a proportional amount of water processed by Bluebonnet. In addition, an agreement has been entered into with the City of Waco requiring Waco to purchase Woodway’s share of water purchased from Bluebonnet and requiring Woodway to purchase an equal amount of water from Waco. All transactions will be at the rates established by the Board of Bluebonnet.

There are currently several claims and lawsuits pending against the City. It is the opinion of City management that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City.

(17) Tax Abatements

The City of Woodway negotiates property tax abatements on an individual basis. All abatements are governed by Section 312 of the Texas Tax Code and the City of Woodway Code of Ordinances which are revised and adopted every two years in accordance with state law. These guidelines permit the City to abate property taxes for a variety of economic development purposes such as business relocation, retention, and expansion and include abatements for real and personal property improvements.

The City of Woodway had not granted any tax abatements as of September 30, 2019.

**City of Woodway, Texas**Notes to Financial Statements  
(Continued)(18) Subsequent Event

Effective October 1, 2019, the City of Waco executed a termination agreement with the City, the City of Bellmead, Texas, the City of Hewitt, Texas, the City of Lacy Lakeview, Texas, the City of Lorena, Texas, and the City of Robinson, Texas, (collectively, the participating cities in WMARSS). The agreement terminates the operation and management agreements, discontinues all WMARSS operations, accepts the conveyance of WMARSS assets to the City of Waco, and allows the conveyance of certain WMARSS easements to the City of Waco and the City of Lorena. Simultaneously, the City entered into a wholesale wastewater contract with the City of Waco to become a customer of the City of Waco's solely-owned wastewater system. The City of Waco did not pay cash consideration or assume bonded indebtedness of the participating cities in return for the transfer of ownership interests. Under the existing arrangement, WMARSS participating cities have shared in percentages of the operations and maintenance and capital project expenditures. Under the new arrangement, costs will be recovered by the City of Waco through rates set for operations and maintenance, capital improvements, and capacity expansion. A calculation will be performed by the City of Waco to determine whether there are amounts of certain surplus working capital reserves available to be returned to the participating cities.

(19) Authoritative Pronouncements Not Yet Effective

A summary of pronouncements issued by the Governmental Accounting Standards Board (GASB) which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – The objective of this statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases* (issued June 2017) – The objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

## **Required Supplementary Information**

**City of Woodway, Texas**

Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – General Fund – Budget Basis

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Taxes:				
Property	\$ 4,503,232	4,503,232	4,544,178	40,946
Sales	2,640,000	2,640,000	2,816,346	176,346
Franchise	756,000	756,000	725,949	(30,051)
License and permits	148,000	148,000	117,763	(30,237)
Intergovernmental	-	-	20,237	20,237
Charges for services	1,734,435	1,734,435	1,807,648	73,213
Fines	185,000	185,000	219,513	34,513
Investment earnings	40,000	40,000	96,326	56,326
Contributions and donations	-	-	25,591	25,591
Miscellaneous	72,500	72,500	68,462	(4,038)
Total revenue	<u>10,079,167</u>	<u>10,079,167</u>	<u>10,442,013</u>	<u>362,846</u>
Expenditures:				
Current:				
General government	1,662,203	1,662,203	1,401,812	260,391
Public safety	5,916,276	5,916,276	5,387,705	528,571
Highways and streets	495,777	495,777	433,621	62,156
Sanitation	920,000	920,000	938,833	(18,833)
Economic development	502,085	502,085	468,675	33,410
Cultural and recreation	879,917	879,917	811,854	68,063
Total expenditures	<u>10,376,258</u>	<u>10,376,258</u>	<u>9,442,500</u>	<u>933,758</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(297,091)</u>	<u>(297,091)</u>	<u>999,513</u>	<u>1,296,604</u>
Other financing sources (uses):				
Proceeds on sale of capital assets	-	-	35,335	35,335
Transfers in	341,345	341,345	301,316	(40,029)
Transfers out	(307,585)	(307,585)	(1,157,585)	(850,000)
Total other financing sources (uses)	<u>33,760</u>	<u>33,760</u>	<u>(820,934)</u>	<u>(854,694)</u>
Change in fund balance	(263,331)	(263,331)	178,579	441,910
Fund balance, at beginning of year	<u>3,684,174</u>	<u>3,684,174</u>	<u>3,684,174</u>	<u>-</u>
Fund balance, at end of year	<u>\$ 3,420,843</u>	<u>3,420,843</u>	<u>3,862,753</u>	<u>441,910</u>

See accompanying independent auditor's report.

**City of Woodway, Texas****Note to Schedule of Revenues, Expenditures and  
Changes in Fund Balance – Budget and Actual –  
General Fund****Year Ended September 30, 2019****(1) Budgetary Basis**

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles (“GAAP”). The actual results of operations are presented in the statement of revenue, expenses and changes in fund equity – budget and actual – general fund on the budgetary basis to provide a meaningful comparison of actual results.

The budgetary basis of accounting includes reporting as expenditures all purchase orders and contracts executed during the year and liquidated within 90 days of the end of the fiscal year. There were no adjustments necessary to convert the results of operations at the end of the year from the GAAP basis of accounting to the budgetary basis of accounting.

Transfers out exceeded appropriations for the general fund for the year ended September 30, 2019 by \$850,000. This over-expenditure was funded by lower than anticipated expenditures in other functions within the general fund.

## City of Woodway, Texas

### Schedule of Changes in Net Pension Liability and Related Ratios

#### Last Five Measurement Dates

	December 31,				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 809,551	804,076	747,227	671,680	603,865
Interest (on the Total Pension Liability)	1,789,433	1,663,016	1,538,966	1,481,245	1,391,288
Difference between expected and actual experience	(88,985)	432,982	151,146	242,961	25,877
Change of assumptions	-	-	-	(29,774)	-
Benefit payments, including refunds of employee contributions	<u>(1,445,329)</u>	<u>(614,593)</u>	<u>(641,392)</u>	<u>(888,668)</u>	<u>(650,991)</u>
<b>Net change in Total Pension Liability</b>	1,064,670	2,285,481	1,795,947	1,477,444	1,370,039
<b>Total Pension Liability - beginning</b>	<u>26,828,012</u>	<u>24,542,531</u>	<u>22,746,584</u>	<u>21,269,140</u>	<u>19,899,101</u>
<b>Total Pension Liability - ending (a)</b>	<u>\$ 27,892,682</u>	<u>26,828,012</u>	<u>24,542,531</u>	<u>22,746,584</u>	<u>21,269,140</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 827,205	821,922	718,365	692,941	656,758
Contributions - employee	353,075	347,012	320,698	303,731	281,525
Net investment income	(694,608)	2,756,034	1,234,383	26,775	967,001
Benefit payments, including refunds of employee contributions	(1,445,329)	(614,593)	(641,392)	(888,668)	(650,991)
Administrative expense	(13,417)	(14,279)	(13,939)	(16,308)	(10,094)
Other	<u>(700)</u>	<u>(723)</u>	<u>(751)</u>	<u>(805)</u>	<u>(830)</u>
<b>Net change in Plan Fiduciary Net Position</b>	(973,774)	3,295,373	1,617,364	117,666	1,243,369
<b>Plan Fiduciary Net Position - beginning</b>	<u>23,175,004</u>	<u>19,879,631</u>	<u>18,262,267</u>	<u>18,144,601</u>	<u>16,901,232</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 22,201,230</u>	<u>23,175,004</u>	<u>19,879,631</u>	<u>18,262,267</u>	<u>18,144,601</u>
<b>Net Pension Liability - ending (a) - (b)</b>	<u>\$ 5,691,452</u>	<u>3,653,008</u>	<u>4,662,900</u>	<u>4,484,317</u>	<u>3,124,539</u>
<b>Plan Fiduciary Net Position as a percentage of Total Pension Liability</b>	79.60%	86.38%	81.00%	80.29%	85.31%
<b>Covered payroll</b>	\$ 5,043,934	4,957,313	4,581,406	4,339,019	4,021,790
<b>Net Pension Liability as a percentage of covered payroll</b>	112.84%	73.69%	101.78%	103.35%	77.69%

Note: Effective October 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. Information for years prior to 2014 is not available.

See accompanying independent auditor's report.

## City of Woodway, Texas

### Schedule of Pension Contributions

	Fiscal Years Ended				
	September 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 876,867	821,922	802,217	710,979	657,199
Contributions in relation to the actuarially determined contribution	<u>876,867</u>	<u>821,922</u>	<u>802,217</u>	<u>710,979</u>	<u>657,199</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>\$ 5,332,738</u>	<u>4,997,194</u>	<u>4,864,181</u>	<u>4,468,451</u>	<u>4,132,337</u>
Contributions as a percentage of covered payroll	<u>16.44%</u>	<u>16.45%</u>	<u>16.49%</u>	<u>15.91%</u>	<u>15.90%</u>

#### Notes to Schedule of Pension Contributions

##### Valuation Date:

Note 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	There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, effective October 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.

**City of Woodway, Texas**

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Two Measurement Dates

	December 31,	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 8,575	6,940
Interest (on the Total OPEB Liability)	5,781	5,591
Differences between expected and actual experience	901	-
Change of assumptions	(13,514)	14,626
Benefit payments **	(1,009)	(1,487)
<b>Net change in Total OPEB Liability</b>	734	25,670
<b>Total OPEB Liability - beginning</b>	170,860	145,190
<b>Total OPEB Liability - ending</b>	\$ 171,594	170,860
<b>Covered payroll</b>	\$ 5,043,934	4,957,313
<b>Total OPEB Liability as a percentage of covered payroll</b>	3.40%	3.45%

\*\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees.

Note: The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions (OPEB)* effective October 1, 2017. Information for years prior to 2017 is not available.

See accompanying independent auditor's report.

**City of Woodway, Texas**  
**Schedule of OPEB Contributions**  
**Fiscal Years Ended**

	September 30,	
	2019	2018
Actuarially determined contribution	\$ 1,066	1,009
Contributions in relation to the actuarially determined contribution	1,066	1,009
Contribution deficiency (excess)	\$ -	-
Covered payroll	\$ 5,332,738	4,997,194
Contributions as a percentage of covered payroll	0.02%	0.02%

**Notes to Schedule of OPEB Contributions**

**Valuation Date:**

Note 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:**

Inflation	2.5%
Salary Increases	3.50% to 10.50%, including inflation
Discounted Rate	3.71%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust of TMRS and are accounted for under reporting requirements under GASB Statement No. 68.
Mortality – 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 – 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.
Other	There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions* (OPEB) effective October 1, 2017. Information for years prior to 2018 is not available.

See accompanying independent auditor's report.