

CITY OF EAST TAWAKONI, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

Cleveland Petty & Company, PC
Certified Public Accountants

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**City of East Tawakoni, Texas
Annual Financial Report
For the Year Ended December 31, 2018**

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FINANCIAL SECTION

Cleveland Petty & Company, PC

Certified Public Accountants

Valerie L Cleveland, CPA MAC
Victoria L Petty, CPA

Members of:
American Institute of
Certified Public Accountants
Texas Society of
Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of East Tawakoni, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of East Tawakoni, Texas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Tawakoni, Texas as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and information and TMRS schedule of funding progress on pages 7-17 and 50-51, respectively, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Tawakoni, Texas basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Cleveland Petty & Company, PC

Cleveland Petty & Company, PC

Certified Public Accountants

April 16, 2019

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REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management for the City of East Tawakoni, Texas, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is presented for government-wide and fund financial statements at the end of this section.

FINANCIAL HIGHLIGHTS:

- Government-wide net position reported in the Statement of Activities is \$2,593,886. Of this amount \$2,009,515 is invested in capital assets or restricted for debt service and other activities, leaving \$584,371 of unrestricted net position.
- Government-wide net position increased by \$101,776 during 2018.
- Each of the City's fund financial statements reported changes in equity as follows:
 - General Fund - \$8,773 increase
 - Water & Sewer Fund - \$26,887 decrease
 - Debt Service Fund – \$35,192 increase
 - Capital Projects Fund - \$128 increase

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial report of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and appropriations from the State. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall of the health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, public safety, judicial and street maintenance services. Property taxes, sales taxes, and franchise taxes finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City’s general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom of each of the governmental fund financial statements.

Proprietary Funds – The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

In the government-wide financial statements, net position serves as one useful indicator of a government’s financial position. In the case of the City, the combined net position exceeded liabilities by \$2,593,886 and \$2,492,110 at the close of FY 2018 and FY 2017, respectively.

The combined net position of the City’s activities increased from \$2,492,110 to \$2,593,886 or \$101,776 during 2018. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$584,371.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS:

As the City completed the year, its governmental funds \$496,532 and proprietary funds \$2,132,494 reported combined fund balance and net position of \$2,629,026, an increase of \$17,206 over last year.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City’s investment in capital assets net of accumulated depreciation reported in the governmental activities and business-type activities was \$790,661 and \$3,248,856, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City’s net investment in capital assets net of accumulated depreciation for the current fiscal year was an increase of \$2,676 and a decrease of (\$121,285) in each of the respective activities. More detailed information about the City’s fixed assets is presented in Note 5 to the basic financial statements.

Long-term Debt – at year-end the City had \$2,425,416 in bonds and capital leases payable outstanding – a decrease of (\$169,254) from last year. More detailed information about the City’s long-term liabilities is presented in Note 6 to the basic financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

The City's Economic Development Corporation is working diligently to bring new businesses to the City.

The Mayor and City Council members continue to exert much effort and energy to do what they feel is best for our city and citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Secretary at 288 Briggs Blvd., East Tawakoni, Texas 75472 or at (903) 447-2444.

CITY OF EAST TAWAKONI, TEXAS

COMPARATIVE STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
ASSETS						
Current and other assets	\$ 620,736	\$ 893,795	\$ 491,411	\$ 467,418	\$ 1,112,147	\$ 1,361,213
Internal balances	28,953	130	(28,953)	(130)	-	-
Capital assets, net	790,661	787,985	3,247,856	3,370,141	4,039,517	4,158,126
Total Assets	<u>1,440,350</u>	<u>1,681,910</u>	<u>3,711,314</u>	<u>3,837,429</u>	<u>5,151,664</u>	<u>5,519,339</u>
LIABILITIES						
Other liabilities	33,349	324,511	24,043	27,619	57,392	352,130
Long-term liabilities						
Meter deposits payable			74,970	80,429	74,970	80,429
Due within one year	89,454	84,310	124,708	110,000	214,162	194,310
Due in more than one year	856,155	940,360	1,355,099	1,460,000	2,211,254	2,400,360
Total Liabilities	<u>978,958</u>	<u>1,349,181</u>	<u>1,578,820</u>	<u>1,678,048</u>	<u>2,557,778</u>	<u>3,027,229</u>
NET POSITION						
Net invested in capital assets	(109,590)	(236,685)	1,769,049	1,800,141	1,659,459	1,563,456
Restricted for debt service	189,322	154,130	106,648	84,394	295,970	238,524
Restricted for capital improvements	28,168	28,040	25,918	25,800	54,086	53,840
Unrestricted	353,492	387,244	230,879	249,046	584,371	636,290
Total Net Position	<u>\$ 461,392</u>	<u>\$ 332,729</u>	<u>\$ 2,132,494</u>	<u>\$ 2,159,381</u>	<u>\$ 2,593,886</u>	<u>\$ 2,492,110</u>

CITY OF EAST TAWAKONI, TEXAS

COMPARATIVE STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program revenues:						
Charges for services	\$ 57,686	\$ 59,017	\$ 887,984	\$ 858,100	\$ 945,670	\$ 917,117
Operating grants/contributions	7,500		3,000	3,000	10,500	3,000
Capital grants/contributions	71,318	425,877			71,318	425,877
General revenues:						
Ad valorem taxes	276,135	315,598			276,135	315,598
Sales taxes	64,771	47,595			64,771	47,595
Franchise taxes	33,405	34,022			33,405	34,022
Other	62,685	51,998	553	224	63,238	52,222
Total revenues	<u>573,500</u>	<u>934,107</u>	<u>891,537</u>	<u>861,324</u>	<u>1,465,037</u>	<u>1,795,431</u>
Expenses:						
Administration	214,166	147,948			214,166	147,948
Public safety and judicial services	289,169	284,470			289,169	284,470
Street Maintenance	-	65,925			-	65,925
Interest on long-term debt	24,177	30,708			24,177	30,708
Water, Sewer and Sanitation Services			857,349	763,493	857,349	763,493
Total Expenses	<u>527,512</u>	<u>529,051</u>	<u>857,349</u>	<u>763,493</u>	<u>1,384,861</u>	<u>1,292,544</u>
Excess (deficiency) of revenues over (under) expenses before transfers	45,988	405,056	34,188	97,831	80,176	502,887
Transfers in (out)	82,675	82,235	(61,075)	(58,404)	21,600	23,831
Change in Net Position	128,663	487,291	26,887	39,427	101,776	526,718
Net position – beginning of year	<u>332,729</u>	<u>(154,562)</u>	<u>2,159,381</u>	<u>2,119,954</u>	<u>2,492,110</u>	<u>1,965,392</u>
Net position – end of year	<u>\$ 461,392</u>	<u>\$ 332,729</u>	<u>\$ 2,132,494</u>	<u>\$ 2,159,381</u>	<u>\$ 2,593,886</u>	<u>\$ 2,492,110</u>

*Net transfer in came from the component unit, East Tawakoni Economic Development Corporation

**CITY OF EAST TAWAKONI, TEXAS
COMPARATIVE BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018 and 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Fund Capital Projects Fund</u>	<u>Total Governmental Funds</u>	
				<u>2018</u>	<u>2017</u>
ASSETS					
Cash and cash equivalents	\$ 240,954	\$ -	\$ -	\$ 240,954	\$ 220,213
Sales and franchise taxes receivable	47,547			47,547	41,980
Property taxes receivable, net allowance of \$7,954 (2018) and \$7,367 (2017)	77,205			77,205	75,590
Due from other funds	4,734	24,219		28,953	21,342
Prepaid expenses					
Restricted assets:					
Cash and cash equivalents		160,253	28,168	188,421	202,388
Property tax receivable, net of allowance of \$4,558 (2018) and \$4,080 (2017)		47,766		47,766	44,296
Total Assets	<u>\$ 370,440</u>	<u>\$ 232,238</u>	<u>\$ 28,168</u>	<u>\$ 630,846</u>	<u>\$ 605,809</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts payable	18,297			18,297	310,019
Due to component unit	5,708			5,708	4,325
Total Liabilities	<u>24,005</u>			<u>24,005</u>	<u>314,344</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable property tax revenue	<u>67,393</u>	<u>42,916</u>		<u>110,309</u>	<u>111,319</u>
FUND BALANCES					
Restricted for:					
Capital Improvements			28,168	28,168	28,040
Debt Service		189,322		189,322	154,130
Assigned for:					
Public safety & judicial services	18			18	18
Non-spendable:					
Prepaid expenses					
Due from other funds	4,734			4,734	21,342
Unassigned	<u>274,290</u>			<u>274,290</u>	<u>248,909</u>
Total Fund Balances	<u>279,042</u>	<u>189,322</u>	<u>28,168</u>	<u>496,532</u>	<u>452,439</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 370,440</u>	<u>\$ 232,238</u>	<u>\$ 28,168</u>	<u>\$ 630,846</u>	<u>\$ 878,102</u>

CITY OF EAST TAWAKONI, TEXAS
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended December 31, 2018 and 2017

	General Fund	Debt Service Fund	Other Governmental Fund (Capital Projects Fund)	Total Governmental Funds	
				2018	2017
REVENUES:					
Ad valorem taxes	\$ 166,251	\$ 109,861	\$ -	\$ 276,112	\$ 257,022
Franchise taxes	33,405			33,405	34,022
Sales taxes	64,771			64,771	47,595
Permits	7,076			7,076	5,764
Fines and other fees	54,666			54,666	57,445
Grant revenue	78,818			78,818	425,877
Other revenue	50,183			50,183	46,066
Interest income		1,329	128	1,457	941
Total Revenues	<u>455,170</u>	<u>111,190</u>	<u>128</u>	<u>566,488</u>	<u>874,732</u>
EXPENDITURES:					
Administration	214,166			214,166	571,326
Public Safety & Judicial Services	274,722			274,722	265,395
Capital Outlay	20,223			20,223	67,914
Debt Service:					
Principal retirement	15,014	75,000		90,014	68,642
Interest and fiscal charges	<u>2,747</u>	<u>24,998</u>		<u>27,745</u>	<u>31,356</u>
Total Expenditures	<u>516,872</u>	<u>99,998</u>	<u>-</u>	<u>616,870</u>	<u>1,004,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(61,702)</u>	<u>11,192</u>	<u>128</u>	<u>(50,382)</u>	<u>(129,901)</u>
OTHER FINANCING SOURCES (USES):					
Debt proceeds	6,800			6,800	67,316
Transfers in (out)	58,675	24,000		82,675	82,235
Sale of assets	<u>5,000</u>			<u>5,000</u>	
Net Other Financing Sources (Uses)	<u>70,475</u>	<u>24,000</u>	<u>-</u>	<u>94,475</u>	<u>149,551</u>
Net change in fund balances	8,773	35,192	128	44,093	19,650
Fund balance, January 1	<u>270,269</u>	<u>154,130</u>	<u>28,040</u>	<u>452,439</u>	<u>432,789</u>
Fund balance, December 31	<u>\$ 279,042</u>	<u>\$ 189,322</u>	<u>\$ 28,168</u>	<u>\$ 496,532</u>	<u>\$ 452,439</u>

CITY OF EAST TAWAKONI, TEXAS
COMPARATIVE STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
December 31, 2018 and 2017

	2018	2017
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Water and Sewer Fund
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 253,525	\$ 264,257
Accounts receivable, net of allowance of \$8,939 in 2018 and \$9,804 in 2017	96,635	84,281
Prepaid expenses		
Restricted Assets:		
Cash and cash equivalents	83,869	61,714
Certificates of deposit	48,697	48,481
Total current assets	482,726	458,733
Noncurrent Assets:		
Capital Assets:		
Land	7,781	7,781
Capital Assets, net of depreciation	3,241,075	3,362,360
Other Assets:		
Deposits	8,685	8,685
Total noncurrent assets	3,257,541	3,378,826
Total Assets	\$ 3,740,267	\$ 3,837,559
LIABILITIES		
Current Liabilities:		
Accounts payable	558	565
Due to other funds	28,953	130
Payable from restricted assets:		
Accrued interest payable	23,485	27,054
Notes payable	9,708	
Bonds payable	115,000	110,000
Total current liabilities	\$ 177,704	\$ 137,749
Noncurrent Liabilities:		
Meter deposits payable	74,970	80,429
Notes payable	10,099	
Bonds payable	1,345,000	1,460,000
Total noncurrent liabilities	1,430,069	1,540,429
Total liabilities	\$ 1,607,773	\$ 1,678,178
NET POSITION		
Net investment in capital assets	1,769,049	1,800,141
Restricted for debt service	106,648	84,394
Restricted for capital improvements	25,918	25,800
Unrestricted	230,879	249,046
Total Net Position	\$ 2,132,494	\$ 2,159,381

CITY OF EAST TAWAKONI, TEXAS
Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Years Ended December 31, 2018 and 2017

	2018	2017
	Enterprise Fund	Enterprise Fund
	Water and	Water and
	Sewer Fund	Sewer Fund
OPERATING REVENUES:		
Water sales	\$ 591,175	\$ 560,494
Sewer sales	136,754	144,092
Garbage fees	126,457	126,629
Penalties	20,510	19,620
Other revenues	13,088	7,265
Total Operating Revenues	\$ 887,984	\$ 858,100
OPERATING EXPENSES:		
Salaries and benefits	193,609	143,634
Professional fees	4,625	4,625
Water purchases	242,736	160,797
Garbage fees	94,994	94,426
Repairs and facility maintenance	45,789	57,613
General insurance	5,147	5,774
Vehicle expense	5,547	5,641
Utilities and telephone	20,067	17,991
Chemicals and inspections	10,477	14,378
TCEQ fees and fines	-	3,565
Depreciation & amortization	156,191	154,307
Other expense	28,975	32,130
Total Operating Expenses	\$ 808,157	\$ 694,881
Operating Income (Loss)	\$ 79,827	\$ 163,219
NONOPERATING REVENUES (EXPENSES):		
Interest income	553	224
Interest and fiscal charges	(49,192)	(68,612)
Total Nonoperating Revenues (Expenses)	\$ (48,39)	\$ (68,388)
Income (loss) before contributions and transfers	31,188	94,831
Operating grant	3,000	3,000
Transfers out to other funds	(61,075)	(58,404)
Change in net position	(26,887)	39,427
Total net position, January 1	2,159,381	2,119,954
Total net position, December 31	\$ 2,132,494	\$ 2,159,381

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**BASIC
FINANCIAL STATEMENTS**

CITY OF EAST TAWAKONI, TEXAS
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Cash and cash equivalents	\$ 240,954	\$ 253,525	\$ 494,479	\$ 38,382
Sales and franchise taxes receivable	47,547		47,547	
Property taxes receivable, net of allowance of \$7,954	77,205		77,205	
Accounts receivable, net of allowance of \$9,804		96,635	96,635	
Due from primary government				5,708
Fines receivable, net	18,843		18,843	
Deposits		8,685	8,685	
Internal balances	28,953	(28,953)	-	
Restricted Assets:				
Cash and cash equivalents	188,421	83,839	272,290	
Certificates of deposits		48,697	48,697	
Property taxes receivable, net of allowance of \$4,922	47,766		47,766	
Capital assets:				
Land and Construction in Progress	32,703	7,781	40,484	
Capital assets, net of accumulated depreciation	757,958	3,241,075	3,999,033	
Total Assets	\$ 1,440,350	\$ 3,711,314	\$ 5,151,664	\$ 44,090
LIABILITIES				
Accounts payable	18,297	558	18,855	
Due to component unit	5,708		5,708	
Payable from restricted assets:				
Accrued interest	9,344	23,485	37,829	
Noncurrent liabilities:				
Meter deposits payable		74,970	74,970	
Capital lease payable due within one year	12,921		12,921	
Capital lease payable due in more than one year	41,948		41,948	
Notes payable due within one year	3,410	9,708	13,118	
Notes payable due in more than one year	823	10,099	10,922	
Bonds due within one year	73,123	115,000	188,123	
Bonds due in more than one year	813,384	1,345,000	2,158,384	
Total Liabilities	978,958	1,578,820	2,515,830	-
NET POSITION				
Net invested in capital assets	(109,590)	1,769,049	1,659,459	
Restricted for debt service	189,322	106,648	295,970	
Restricted for capital improvements	28,168	25,918	54,086	
Unrestricted	353,492	230,879	584,371	44,090
Total Net Position	\$ 461,392	\$ 2,132,494	\$ 2,593,886	\$ 44,090

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

CITY OF EAST TAWAKONI, TEXAS
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Debt Service Fund	Other Governmental Fund Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 240,954	\$ -	\$ -	\$ 240,954
Sales and franchise taxes receivable	47,547			47,547
Property taxes receivable, net of allowance of \$8,578	77,205			77,205
Due from other funds	4,734	24,219		28,953
Restricted assets:				
Cash and cash equivalents		160,253	28,168	188,421
Property tax receivable, net of allowance of \$4,922		47,766		47,766
Total Assets	\$ 370,440	\$ 197,432	\$ 28,168	\$ 630,846
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	18,297			18,297
Due to component unit	5,708			5,708
Total Liabilities	24,005	-	-	24,005
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable property tax revenue	67,393	42,916	-	110,309
FUND BALANCES				
Restricted for:				
Capital improvements			28,168	28,168
Debt service		189,322		1189,322
Assigned for:				
Public safety and judicial services	18			18
Non-spendable:				
Due from other funds	4,734			4,734
Unassigned	274,290			274,290
Total Fund Balances	279,042	189,332	28,168	496,532
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 370,440	\$ 232,238	\$ 28,168	\$ 630,846

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

CITY OF EAST TAWAKONI, TEXAS
Reconciliation of the Balance Sheet
Of Governmental Funds to the Statement of Net Position
Year Ended December 31, 2018

Total fund balances – governmental funds	\$	496,532
 Amounts reported for governmental activities in the statement of net positions are different because:		
Capital assets of \$1,898,872 , net of accumulated depreciation of \$(1,108,211) are not current financial resources and therefore are not reported in the fund balance sheet.		790,661
Other long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are not reported in the funds. These include net fines receivable in the amount of \$18,843.		18,843
Deferred inflows of resources present an acquisition of net position that applies to a future period and therefore are not recognized as an inflow of resources until the period that they amount become available. These include unavailable property taxes in the amount of \$110,309.		110,309
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. This amount consists of general long-term debt in the amount of \$(945,610), and accrued interest in the amount of (\$9,344).		(954,954)
		(954,954)
 Net Position of Governmental Activities	 \$	 <u>461,392</u>

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

CITY OF EAST TAWAKONI, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Fund (Capital Projects Fund)</u>	<u>Total Memorandum Only</u>
REVENUES:				
Ad valorem taxes	\$ 166,251	\$ 109,861	\$	\$ 26,112
Franchise taxes	33,405			33,405
Sales tax	64,771			64,771
Permits	7,076			7,076
Fines and other fees	54,666			54,666
Grant revenue	78,818			78,818
Other income	50,183			50,183
Interest Income		1,329	128	1,457
Total Revenues	<u>\$ 455,170</u>	<u>\$ 111,190</u>	<u>\$ 128</u>	<u>\$ 566,488</u>
EXPENDITURES:				
Current:				
Administration	214,166			214,166
Public Safety and Judicial Services	264,722			264,722
Capital Outlay	20,223			20,223
Debt Service:				
Principal retirement	15,014	75,000		90,014
Interest and fiscal charges	2,747	24,998		27,745
Total Expenditures	<u>\$ 866,067</u>	<u>\$ 99,998</u>	<u>\$ -</u>	<u>\$ 616,870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(85,010)</u>	<u>(44,916)</u>		<u>(129,901)</u>
OTHER FINANCING SOURCES (USES):				
Proceed from debt	6,800			6,800
Transfers in	58,675	24,000		82,675
Sale of assets	5,000			5,000
Net Other Financing Sources (Uses)	<u>70,475</u>	<u>24,000</u>	<u>-</u>	<u>94,475</u>
Net change in fund balances	8,773	35,192	128	44,093
Fund Balance, January 1	<u>\$ 270,269</u>	<u>\$ 154,130</u>	<u>\$ 28,040</u>	<u>\$ 452,439</u>
Fund Balance, December 31	<u>\$ 279,042</u>	<u>\$ 189,322</u>	<u>\$ 28,168</u>	<u>\$ 496,532</u>

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

CITY OF EAST TAWAKONI, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended December 31, 2018

Net change in fund balances – total governmental funds **\$ 44,093**

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

Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$33,532 exceeded Capital expenditures of \$31,268 in the current period. (7,676)

Repayment of long-term debt is reported as an expenditure for governmental funds, but is reported as a reduction of debt in the statement of activities. 82,614

Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decrease in accrued interest on debt of \$821. 821

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of (\$1,009) and court fines receivables \$3,020 and proceeds from debt. 8,811

Change in net position of governmental activities **\$ 128,663**

CITY OF EAST TAWAKONI, TEXAS
Statement of Fund Net Position
Proprietary Fund
December 31, 2018

	Enterprise Fund
	Water & Sewer
	Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 253,525
Accounts receivable, net of allowance of \$8,939	96,635
Restricted Assets:	
Cash and cash equivalents	83,869
Certificates of deposits	48,697
Total current assets	\$ 482,726
Noncurrent Assets:	
Capital Assets:	
Land	7,781
Capital Assets, net of accumulated depreciation	3,241,075
Other Assets:	
Deposits	8,685
Total noncurrent assets	3,257,541
Total Assets	\$ 3,740,267
LIABILITIES	
Current Liabilities:	
Accounts payable	558
Due to other funds	28,953
Payable from restricted assets:	
Accrued interest payable	23,485
Notes payable	9,708
Bonds payable	115,000
Total current liabilities	\$ 177,704
Noncurrent Liabilities	
Meter deposits payable	74,970
Notes payable	10,099
Bonds payable	1,345,000
Total non-current liabilities	1,430,069
Total Liabilities	\$ 1,607,773
NET POSITION	
Net invested in capital assets	1,769,049
Restricted for debt service	106,648
Restricted for capital improvements	25,918
Unrestricted	230,879
Total Net Position	\$ 2,132,494

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

CITY OF EAST TAWAKONI, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended December 31, 2018

		Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:		
Water sales	\$	591,175
Sewer sales		136,754
Garbage fees		126,457
Penalties		20,510
Other revenues		13,088
Total Operating Revenues	\$	887,984
OPERATING EXPENSES:		
Salaries and benefits		193,609
Professional fees		4,625
Water purchases		242,736
Garbage fees		94,994
Repairs and facility maintenance		45,789
General insurance		5,147
Vehicle expense		5,547
Utilities and telephone		20,067
Chemicals and inspections		10,477
TCEQ fees and fines		-
Depreciation & amortization		156,191
Other expense		28,975
Total Operating Expenses	\$	808,157
Operating Income (loss)	\$	79,827

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

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CITY OF EAST TAWAKONI, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended December 31, 2018

	Enterprise Fund
	Water and Sewer Fund
NONOPERATING REVENUES (EXPENSES):	
Interest income	\$ 553
Interest and fiscal charges	(49,192)
Total Nonoperating Revenues (Expenses)	\$ (48,639)
Income (loss) before contributions and transfers	31,188
Operating grant	3,000
Transfer out to general fund	(61,075)
	(26,887)
Change in net position	(26,887)
Net position, January 1	\$ 2,159,381
Net position, December 31	\$ 2,132,494

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

CITY OF EAST TAWAKONI, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2018

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 870,171
Cash paid to suppliers	(439,471)
Cash paid to employees	(193,609)
Net cash provided (used) by operating activities	237,091
Cash flows from noncapital financing activities:	
Due to/from other funds	28,953
Operating transfers (to) from other funds	(61,075)
Net cash provided (used) for noncapital financing activities	(32,122)
Cash flows from capital and related financing activities:	
Acquisition of capital asset	\$ (34,907)
Principal paid on bonds and certificates of obligation	(110,000)
Interest paid on debt	(49,192)
Net cash provided (used) by capital and related financing activities	(194,099)
Cash flows from investing activities:	
Interest on deposits and investments	553
Net cash provided (used) by investing activities	553
Net changes in cash and cash equivalents	11,423
Cash and cash equivalents, January 1	325,971
Cash and cash equivalents, December 31	\$ 337,394

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

CITY OF EAST TAWAKONI, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2018

Reconciliation of Net Income (Loss) to Net Cash Provided (Used)
By Operating Activities

	2018
Operating income (loss)	\$ 79,827
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	156,191
(Increase) decrease in accounts receivable (net)	(12,354)
Increase (decrease) in accounts payable and accrued expenses	(5,459)
Increase (decrease) in customer deposits	18,886
	157,264
Net cash provided (used) by operating activities	\$ 237,091

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

City of East Tawakoni, Texas
Notes to Basic Financial Statements
December 31, 2018

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of East Tawakoni, Texas and its component unit, East Tawakoni Economic Development Corporation, collectively identified as the “City” have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ending December 31, 2018.

(A) Reporting Entity and Related Organizations

The City is a municipal corporation governed by and elected mayor and five member City Council. The City provides general administration, public works, public safety and judicial services to its residents.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental “reporting entity” as defined in Section 2100, codification of Governmental Accounting and Financial Reporting Standards.

The criteria used by the City for including activities in preparing its financial statements is in conformity with Governmental Accounting Standards Board Statements 14 and 39 as amended by GASB Statement 61. “*The Financial Reporting Entity: Omnibus*”. Based on these criteria the City has the following component unit at December 31, 2018:

Discretely Presented Component Unit:

East Tawakoni Economic Development Corporation (ETEDC) – ETEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the ETEDC board for cause. ETEDC is a nonprofit corporation governed by Section 4B of the Texas Act of 1979 and organized for the public purpose of the promoting and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare of the City of East Tawakoni, Texas. ETEDC does not prepare separate financial statements. ETEDC is reported as a discretely presented component unit in the government-wide financial statements.

1. Introduction and Summary of Significant Accounting Policies – continued

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, general supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and proprietary funds are reported in separate columns with composite columns for non-major funds.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

1. Introduction and Summary of Significant Accounting Policies – continued

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

Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due. Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for water and sewer sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted sources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund – accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

The City reports the following non-major governmental fund:

Capital Projects Fund – accounts for the cost of construction and related funding sources of the street project. Capital improvements are authorized by City ordinances. The project was funded through the issuance of Series 2004 General Obligation Bonds.

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

1. Introduction and Summary of Significant Accounting Policies – continued

(D) Fund Types and Major Funds (continued)

Proprietary Funds

The City reports the following major proprietary fund:

Water and Sewer Fund – accounts for the operating activities of the City’s water and sewer utilities services.

(E) Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity

Cash and Investments

Outstanding cash and cash equivalents at December 31, 2018 consists principally of interest bearing bank accounts and certificates of deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, the City considers unrestricted and restricted cash and investments purchased by the City within three months of maturity to be cash equivalents.

Back certificates of deposit are carried at cost which approximates fair value.

Restrictions on cash equivalents and certificates of deposit are as follows at year-end:

Restricted for debt service	\$	189,322
Restricted for capital projects		28,168
Total restricted amounts	\$	<u>217,490</u>

Inventories and Prepays

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepays record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepays are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur and \$5,000 for road upgrades.

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

1. Introduction and Summary of Significant Accounting Policies – continued

(E) Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (continued)

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Road infrastructure	15
Water & sewer infrastructure & rights	25 – 40
Vehicles	5-7
Furniture, machinery, and equipment	3-10

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has no items considered to be deferred outflows of resources at year-end.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has only one item that qualifies for reporting in this category. It is the unavailable property tax revenue reported in the governmental funds balance sheet.

Long-term Debt, Bond Discounts/Premiums, and Issuance Costs

In the government-wide, proprietary, and component unite financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issuance costs are expensed as incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

1. Introduction and Summary of Significant Accounting Policies – continued

(E) Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Equity (continued)

Fund Equity

The City has implemented GASB Statement 54 for the classification of fund balances in the governmental funds. The fund balances of governmental are defined as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority of the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council.

Unassigned – all other spendable amounts in the general fund.

When the expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

Compensated Absences

Employees of the City are entitled to paid vacation, and paid sick leave, depending on the length of service. Accrued vacation leave is not paid upon termination of employment. Therefore, compensated absences are not accrued in the government-wide or proprietary fund financial statements.

Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment.

1. Introduction and Summary of Significant Accounting Policies – continued

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage of and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operating by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public official's liability, and law enforcement professional liability coverages. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts disclosures. Accordingly, actual results could differ from these estimates.

2. Stewardship, Compliance and Accountability

(A) Budgetary Information

The City Administrator and the City Secretary submit an annual budget to the City Council in accordance with the laws of the State of Texas. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in September, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The General Fund budget and actual required supplementary information is presented on this basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

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

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of the City of East Tawakoni, Texas (primary government) are fully insured or collateralized with securities held by the City, its agent, or by the pledging financial institution’s trust department or agent in the name of the City.

Deposits of the component unit, East Tawakoni Economic Development Corporation (ETEDC) are fully insured by Federal Deposit Insurance Corporation (FDIC) insurance at year-end.

As of December 31, 2018, the City’s reporting entity has the following investments:

Type of Investments	Fair Value/ Carrying Amount	Cost	Credit Rating(1)	Days to Maturity
Primary Government:				
Certificates of deposit	\$ 48,697	\$ 48,697	Exempt	82 days

(1) Ratings are provided where applicable to indicate associated **credit risk**.

Investment Policies

The Public Funds Investment Act (PFIA) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. The PFIA governs the City’s investment policies and types of investments. The City’s management believes that it complied with requirements of the PFIA and the City’s investment policies.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City’s investing activities are managed under the custody of the Mayor, City Secretary and Mayor Pro-tem. Investing is performed in accordance with investment policies adopted by the City Council complying with state statutes. City investment policy and state statute generally permit the City to invest in certificates of deposit, and public funds investment pools, obligations of the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by an equivalent. During the year ended December 31, 2018, the City did not own any types of securities other than those permitted by statute.

3. Deposits and Investments – continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. The City’s investment policy states that the risk of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations.

<u>Investment Type</u>	<u>% of Portfolio</u>
U. S. Treasury Notes/Bonds/Bills	100%
Certificates of Deposit	100%
U. S. Agencies	50%
Local Government Investment Pools	50%
State of Texas Obligations & Agencies	20%
Local Government Obligations	20%

Following is a list of investments that represent more than 5% of total primary government investments at December 31, 2018:

<u>Description</u>	<u>Carrying Amount</u>	<u>Percentage of Portfolio</u>
Certificates of Deposit	\$48,481	100%

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City’s policy on principal protection and safekeeping states that all bank and savings and loan associations deposits and investments of City funds shall be secured by pledged collateral with a market value equal to the principal plus accrued interest less the amount insured by FDIC.

4. Receivables

Enterprise Receivables, Uncollectible Accounts and Deferred Inflows

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Enterprise Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days.

Water and sewer receivables are as follows at year-end:

Customer accounts receivable	\$105,574
Allowance for uncollectible account	<u>(8,939)</u>
Receivables, net of allowance	<u>\$ 96,635</u>

Property Taxes Receivable, Deferred Inflows, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Rains County Appraisal District at 100% of market value. As of January 1, 2018, all real property assessed at a net taxable value of \$49,641,091

The property tax rate for the year ended December 31, 2018 was .5903 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations-General Fund	.3647
Debt Service Fund	.2256
Total tax rate	.5903

The property tax levy for the year ending December 31, 2018 was \$279,006 Property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. In the governmental fund financial statements, property taxes are recorded as revenues when they meet the measurable and available criteria described in Note 1 C.

Deferred inflows of resources represent unavailable property taxes receivable which do not meet the measurable and available criteria at year-end.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City with appropriate allowances for estimated uncollectible amounts regardless of when cash is received. Over time substantially all property taxes are collected.

4. Receivables – continued

The City's full year property tax calendar is as follows:

October 1-Full year tax levy assessed for the current fiscal year-taxes are due and payable.

January 1-Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.

February 1-Penalty and interest charges begin to accrue on unpaid past due taxes.

July 1-Taxes become delinquent and are subject to attorney fees incurred for collection.

Allowance for Uncollectible Taxes

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance in the amount of ten percent (10%) of the property taxes receivable in each of the applicable fund types should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the cash basis. In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities has been determined based on distribution requirements of the State of Texas.

5. Capital Assets

The following table provides a summary of changes in capital assets, including assets recorded under capital leases:

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets – non depreciable:				
Land	\$ 32,703	\$ -	\$ -	\$ 32,703
Construction in progress	425,877		425,877	-
Non-depreciable capital assets	458,580	-	425,877	32,703
Depreciable capital assets:				
Building & Other Improvement	99,404	506,453		605,857
Road Infrastructure	1,096,772	8,423		1,105,195
Vehicles	153,445	11,800	64,531	100,714
Furniture & Equipment	54,402			54,402
Total capital assets	1,862,603	493,791	64,531	1,898,872
Less: accumulated depreciation:	1,074,618	98,123	64,531	1,074,618
Governmental Activities Capital Assets, net	<u>\$ 787,985</u>	<u>\$ 428,553</u>	<u>\$ 425,877</u>	<u>\$ 790,661</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets – non depreciable:				
Land	\$ 7,781	\$ -	\$ -	\$ 7,781
Construction in progress	-			-
Non-depreciable capital assets	7,781	-	-	7,781
Depreciable capital assets:				
Building & improvements	5,862			5,862
Water & sewer infrastructure	5,855,144			5,855,144
Vehicles	61,455		600	61,455
Equipment	120,641		2,374	120,641
Total capital assets	6,050,883		2,974	6,050,883
Less: accumulated depreciation	2,680,744	156,191	2,974	2,833,961
Business-type Activities Capital Assets, net	<u>3,370,140</u>	<u>(156,191)</u>	<u>-</u>	<u>3,248,856</u>
Primary Government Capital Assets, net	<u>\$ 4,158,125</u>	<u>\$ 272,372</u>	<u>\$ -</u>	<u>\$ 4,039,517</u>

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	\$ 11,740
Street Maintenance	66,159
Public Safety	20,224
Total	<u>\$ 98,123</u>

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

6. Debt

Refunded Debt

During 2014, the City issued general obligation refunding bonds of \$1,147,245 (par value) with an interest rate of 3.162% as a current refunding of the 2004 general obligation bonds and the Series 2000 tax and surplus revenue certificates of obligation with interest rates ranging from 4.75% to 5.119%, and a par value of \$1,077,000. The 2004 general obligation bonds mature on July 1, 2020 and the Series 2000 tax and surplus revenue certificates of obligation mature on February 1, 2040.

Long-term Debt Supporting Governmental Activities

General obligation bonds issued by the City are back by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Other debt issued to support governmental activities is a capital lease obligation which is secured by the equipment purchases with the capital lease proceeds.

Long-term Debt Supporting Business-Type Activities

Revenue bonds consist of debt issued to support activities of the Enterprise (water and sewer) Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of surplus revenues of the water and sewer system.

Interest expense for business-type activities and the Enterprise (water and sewer) Fund was \$68,612 for the year.

6. Debt – continued

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

Description and purpose	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Due Within One Year
Governmental Activities:					
General Obligation Refunding Bonds Series 2014, 3.162% 2016-2028	\$ 957,354	\$ -	\$ 70,847	\$ 886,507	\$ 73,123
Government Capital Corporation Vehicle Capital Lease, 5.78%	67,316	6,800	15,014	59,102	16,332
Total Governmental Activities	<u>\$ 1,024,670</u>	<u>\$ 6,800</u>	<u>\$ 85,861</u>	<u>\$ 945,609</u>	<u>\$ 89,455</u>
Business-type Activities:					
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation Series 2006, 2.45% to 3.25%	770,000		75,000	695,000	80,000
Tax & Water & Sewer System Surplus Revenue Certificates of Obligation Series 2010, .35% to 3.70%	800,000		35,000	765,000	35,000
Commercial Bank of Texas	-	19,807		19,807	9,708
Total Business-type Activities	<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 1,479,807</u>	<u>\$124,708</u>
Total Primary Government Long-term Debt	<u>\$ 2,594,670</u>	<u>\$ 67,316</u>	<u>\$ 195,61</u>	<u>\$ 2,425,416</u>	<u>\$ 214,163</u>

The above capital lease agreement represents a general obligation of the City, and it secured by the vehicle and equipment acquired by the capital lease proceeds. Current requirements for principal and interest of the capital lease obligation are accounted for in the appropriate fund for which the liability was incurred. The asset under capital lease is recorded as a vehicle with a total cost of \$33,769 and accumulated depreciation of \$33,769. Amortization expense is included in depreciation expense.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and capital lease obligations are as follows at year-end:

6. Debt – continued

Governmental Activities

Fiscal Year Ending December 31	Bonds Payable		Capital Lease Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 70,847	\$ 29,152	\$ -	\$ -	\$ 70,847	\$ 29,152
2019	73,123	26,876			73,123	26,876
2020	75,473	24,527			75,473	24,527
2021	42,660	22,659			42,660	22,659
2022	44,348	21,283			44,348	21,283
2023-2027	243,451	84,146			243,451	84,146
2028-2032	280,206	49,214			280,206	49,214
2033-2034	127,246	5,099			127,246	5,099
Totals	\$ 957,354	\$ 262,956	\$ -	\$ -	\$ 957,354	\$ 262,956

Business-type Activities

Fiscal Year Ending December 31	Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 75,000	\$ 52,645	\$ -	\$ -	\$ 75,000	\$ 52,645
2019	110,000	49,666			110,000	49,666
2020	115,000	46,497			115,000	46,497
2021	120,000	43,055			120,000	43,055
2022	120,000	39,426			120,000	39,426
2023-2027	640,000	136,430			640,000	136,430
2028-2030	465,000	25,986			465,000	25,986
Totals	\$ 1,570,000	\$ 393,705	\$ -	\$ -	\$ 1,570,000	\$ 393,705

Revenue Bond Covenant Compliance

As stated in the ordinance authorizing the issuance of general obligation bonds (bonds accounted for in the debt service fund) and revenue bonds (bonds accounted for in the enterprise fund), the City is required to establish and maintain separate bond reserve accounts for each bond issue. These bond reserve accounts are used to accumulate resources set aside to make up potential future deficiencies in the revenue bond interest and sinking account. These reserve requirements, as stated in the original bond ordinances, are as follows:

City of East Tawakoni	
Tax and Water and Sewer System Surplus Revenue	
Certificates of Obligation, Series 2006	
Reserve Requirement	\$ 12,937
Account Balance at year-end	55,097
Excess	<u>\$ 42,160</u>

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

6. Debt – continued

City of East Tawakoni	
Tax and Water and Sewer System Surplus Revenue	
Certificates of Obligation, Series 2010	
Reserve Requirement	\$ 49,116
Account Balance at year-end	55,097
Excess	<u>\$ 5,981</u>
City of East Tawakoni	
General Obligation Bonds, Series 2014	
Reserve Requirement	\$ 85,983
Account Balance at year-end	174,348
Excess	<u>\$ 88,365</u>

7. Retirement Plan

Plan Description

The City provides pension benefits for all its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent, multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provision for the City were as follows:

	Plan Year	
	<u>2014</u>	<u>2013</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/25	60/10, 0/25
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

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

7. Retirement Plan - continued

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are at 100% of the employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) cost method. (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both are the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

7. Retirement Plan - continued

Annual Pension Cost

For the year ended December 31, 2018, the government's annual pension cost of \$16,015 for TMRS was equal to the government's required and actual contributions.

Three-Year Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Actual Contributions Made	Net Pension Obligation (Asset)
12/31/13	\$ 23,446	100%	23,446	-0-
12/31/14	\$ 14,604	100%	14,604	-0-
12/31/15	\$ 16,015	100%	16,015	-0-

The required contribution rates for fiscal year 2017 were determined as part of the December 31, 2012 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

<u>Valuation Date</u>	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	20.1 years; closed period	25.2 years; closed period	17.0 years; closed period
Amortized Period for new Gains/Losses	12 years	25 years	13 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

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

7. Retirement Plan – continued:

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2014 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2014 TMRS Comprehensive Annual Financial Report (CAFR).

Schedule of Funding Progress

		Actuarial					UAAL as a
Actuarial	Actuarial	Accrued			Unfunded		Percentage
Valuation	Value of	Liability	Funded		AAL	Covered	of
Date	Assets	(AAL)	Ratio		(UAAL)	Payroll	Payroll
12/31/2013	\$585,340	\$589,683	99.3%		\$4,343	\$226,335	1.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to a continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operating 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. A general description of the SDBF can be found in the footnotes of the TMRS comprehensive annual financial report which can be obtained as noted in the “plan description” section above.

7. Retirement Plan – continued:

Supplemental Death Benefits Fund – continued

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

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 contribution to the TMRS SDBF for the years ended 2016, 2014 and 2013 were \$610, \$571 and \$610, respectively, which equaled the required contributions each year.

8. Litigation

The City is involved in other litigation arising in the ordinary course of business. It is management's belief that any liability resulting from such litigation would not be material in relation to the City's financial position.

9. Contingencies and Commitments

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended December 31, 2018 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City has entered into a contract for garbage collection services with Republic Malloy. During fiscal year 2018, the City spent \$89,814 on garbage collection services.

The City has entered into a contract for purchase of water with City of Emory, Texas. The contract was signed for a 40 year period on June 12, 1973. The contract has been renewed. During fiscal year 2018, the City spent \$174,480 on water purchases.

9. Contingencies and Commitments - continued

The City has entered into a Street Improvement Project with East Tawakoni Economic Development Corporation (ETEDC). ETEDC has committed \$244,224 to support the Street Improvement Project. ETEDC agreed to pay \$24,000 for 10 years commencing on June 30, 2005 and terminating on June 30, 2014. The ETEDC has not signed a formal extension of this agreement but per management it will continue to pay \$24,000 per year to the City for street improvements.

10. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as “due to/from other funds” in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans).

Outstanding balances between the City’s General Fund and its Water and Sewer Fund include funds for general operating expenditures that will be transferred to the General Fund after the end of the year.

Outstanding balances between the City’s General Fund and its component units reported as “due from primary government” and “due to component unit” include sales tax collections received or due to the City at year-end that will be transferred to the component unit after the end of the year.

The following schedule reports receivables and payables within the reporting entity at year-end:

	Receivable	Payable
General Fund	\$ 21,342	\$ 4,325
Debt Service Fund		21,212
Component Unit	4,325	
Water and Sewer Fund		130
	\$ 25,667	\$25,667

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers reported within governmental activities.

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

10. Balances and Transfers/Payments Within the Reporting Entity – continued

The following schedule reports transfers and payments within the reporting entity:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 58,235	\$ -
Enterprise Fund		58,235
ETEDC		24,000
Debt Service Fund	24,000	
	<u>\$ 82,235</u>	<u>\$ 82,235</u>

11. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of East Tawakoni, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of East Tawakoni, Texas and the surrounding area.

12. Segment Information

The City issues revenue bonds to support water and sewer services. The fund financial statements report a major fund with revenue supported debt for the Proprietary fund (Water and Sewer/Enterprise Fund). Services provided by this fund are described in Note 1(D).

Summarized segment financial information for water and sewer activities reported in this fund as of and for the year ended December 31, 2018 is presented as follows:

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13. Segment Information - continued

Condensed Statement of Fund Net Position

Assets	
Current assets	\$482,726
Capital assets, net	3,248,856
Other Assets	8,685
Total assets	<u>\$ 3,740,267</u>
Liabilities	
Current liabilities	177,704
Noncurrent liabilities	1,430,069
Total liabilities	<u>\$ 1,607,773</u>
Net Position	
Net investment in capital assets	1,769,049
Restricted	132,566
Unrestricted	230,879
Total net position	<u>\$ 2,132,494</u>

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position

Water and sewer operating revenues	\$ 887,984
Depreciation and amortization expense	(156,191)
Other operating expense	(651,966)
Operating income	<u>79,827</u>
Nonoperating revenues (expenses):	
Interest expense	(49,192)
Interest income	553
Operating grants	3,000
Transfers	(61,075)
Change in net position	<u>(26,887)</u>
Beginning net position	<u>2,159,381</u>
Ending net position	<u>\$ 2,132,494</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 237,091
Noncapital financing activities	(32,122)
Capital and related Financing activities	(194,099)
Investing activities	<u>553</u>
Net increase (decrease) in cash and cash equivalents	
	11,423
Beginning cash and cash and cash equivalents	<u>325,971</u>
Ending cash and cash and cash equivalents	<u>\$ 337,394</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF EAST TAWAKONI, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad valorem taxes	\$ 148,000	\$ 148,000	\$ 166,251	\$ 18,251
Franchise taxes	36,800	36,800	33,405	(3,395)
Sales tax	95,000	95,000	64,771	(30,229)
Permits	3,800	3,800	7,076	3,276
Fines and other fees	40,600	40,600	54,666	14,066
Grants			78,818	78,818
Other income	40,400	40,400	50,183	9,783
Total Revenues	364,600	364,600	455,179	90,570
EXPENDITURES:				
Current:				
Administration	143,330	143,330	214,166	(70,836)
Public safety and judicial services	239,820	239,820	264,722	(24,902)
Debt Service:				
Principal retirement	12,300	12,300	15,014	(2,714)
Interest and fiscal charges	500	500	2,747	(2,247)
Capital outlay	-	-	20,223	(20,223)
Total Expenditures	395,950	395,950	516,872	(120,922)
Excess (deficiency) of revenues over (under) expenditures	(31,350)	(31,350)	(61,702)	(30,352)
OTHER FINANCING SOURCES (USES):				
Proceeds from debt			6,800	(6,800)
Operating transfers in (out)	31,600	31,600	58,675	(27,075)
			5,000	(5,000)
Total Other Financing Sources (Uses)	31,600	31,600	70,475	(38,875)
Excess (deficiency) of revenues over (under) expenditures and other uses	250	250	8,773	(8,523)
Fund balance, beginning of year	270,269	270,269	270,269	-
Fund balance, end of year	\$ 270,519	\$ 270,519	\$ 279,042	\$ (5,823)

**City of East Tawakoni, Texas
Schedule of Funding Progress
TMRS Retirement Plan
Most Recent Three Actuarial Valuation Dates
Year Ended December 31, 2018**

Actuarial	Actuarial	Actuarial	UAAL Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Accrued	(Over-funded)	Ratio	Payroll	Percentage
Date	Plan Assets	Liability	Liability			of Covered
						Payroll
12/31/2011	\$ 504,566	\$ 612,555	\$ 107,989	82.4%	\$ 209,455	51.6%
12/31/2012	533,279	506,451	(26,828)	105.3%	208,960	-12.8%
12/31/2013	585,340	589,683	4,343	99.3%	226,335	1.9%

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SUPPLEMENTARY SCHEDULES
(UNAUDITED)

**CITY OF EAST TAWAKONI, TEXAS
SCHEDULE OF PROPERTY TAX RECEIVABLE
YEAR ENDED DECEMBER 31, 2018(Unaudited)**

Tax Roll Year	Fiscal Year Ended December 31	Outstanding Balance 12/31/17
2018	2017	114,991
2016	2016	114,991
2015	2015	6,912
2014	2014	5,178
2013	2013	2,981
2012	2012	1,857
2011	2011	732
2010	2010	531
2009	2009	521
2008	2008	408
	2007 and prior	172
	Allowance for uncollectible taxes	(13,452)
	Property taxes receivable, net	\$121,069

**CITY OF EAST TAWAKONI, TEXAS
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION (NET)
YEAR ENDED DECEMBER 31, 2018 (Unaudited)**

Tax Roll Year	Fiscal Year Ended December 31	Net Taxable Valuation
2017	2017	43,921,734
2016	2016	43,921,734
2015	2015	41,312,115
2014	2014	41,312,115
2013	2013	40,632,769
2012	2012	40,501,258
2011	2011	40,830,046
2010	2010	41,467,035
2009	2009	41,800,792
2008	2008	41,464,197

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**CITY OF EAST TAWAKONI, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED DECEMBER 31, 2018 (Unaudited)**

Tax Roll Year	Fiscal Year Ended December 31	Tax Rates
2017	2017	0.5903
2016	2016	0.5903
2015	2015	0.5903
2014	2014	0.5892
2013	2013	0.5892
2012	2012	0.5431
2011	2011	0.5431
2010	2010	0.4988
2009	2009	0.4709
2008	2008	0.4522