

ANNUAL FINANCIAL REPORT

of the

CITY OF NAVASOTA, TEXAS

**For the Year Ended
September 30, 2018**

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CITY OF NAVASOTA, TEXAS

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September 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of the
City of Navasota, 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 the City of Navasota, Texas (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 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.

Emphasis of Matter

Change in Accounting Principle

In 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

 BELT HARRIS PECHACEK, LLP

Certified Public Accountants
Houston, Texas
March 21, 2019

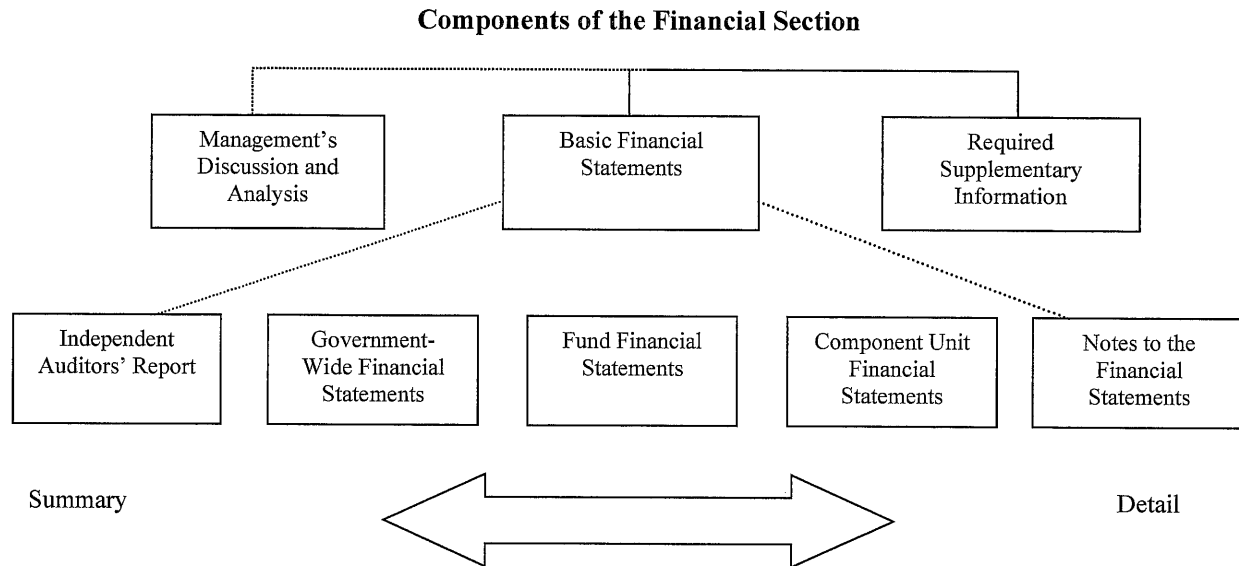
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

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

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements and (3) 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 Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police, fire, and EMS (public safety); streets and drainage (public works); sanitation; transportation; culture and recreation; judicial and courts; economic development/tourism; and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and gas services, as well as interest payments on debt issued for water and wastewater improvements.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

FUND FINANCIAL STATEMENTS

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 *governmental funds* and *governmental activities*.

The City maintains eight 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, the debt service, the street, and the capital project funds which are considered to be major funds for reporting purposes.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

The City adopts an annual appropriated budget for its general fund, debt service fund, and street fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and gas operations. The proprietary fund financial statements provide separate information for the water, sewer, and gas operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund, the board of fireman service fund. The City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general and street funds and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by \$32,574,074 as of September 30, 2018 for the primary government. This compares with \$32,291,859 from the prior fiscal year. The largest portion of the City's net position, 69 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

2018				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 7,195,046	\$ 7,358,649	\$ -	\$ 14,553,695
Capital assets, net	27,385,433	5,694,003	-	33,079,436
Total Assets	34,580,479	13,052,652	-	47,633,131
Deferred charge on refunding	355,568	-	-	355,568
Deferred outflows - pensions	211,847	36,991	-	248,838
Deferred outflows - OPEB	10,923	2,501	-	13,424
Total Deferred Outflows of Resources	578,338	39,492	-	617,830
Long-term liabilities	13,455,771	104,733	-	13,560,504
Other liabilities	958,901	536,310	-	1,495,211
Total Liabilities	14,414,672	641,043	-	15,055,715
Deferred inflows - pensions	516,210	104,962	-	621,172
Net Position:				
Net investment in capital assets	19,018,387	5,663,481	(2,317,833)	22,364,035
Restricted	1,685,474	-	-	1,685,474
Unrestricted	(475,926)	6,682,658	2,317,833	8,524,565
Total Net Position	\$ 20,227,935	\$ 12,346,139	\$ -	\$ 32,574,074
2017				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 8,947,215	\$ 6,643,164	\$ -	\$ 15,590,379
Capital assets, net	27,891,232	4,294,911	-	32,186,143
Total Assets	36,838,447	10,938,075	-	47,776,522
Deferred charge on refunding	355,568	-	-	355,568
Deferred outflows - pensions	682,863	111,320	-	794,183
Deferred outflows - OPEB	742	170	-	912
Total Deferred Outflows of Resources	1,039,173	111,490	-	1,150,663
Long-term liabilities	15,060,630	382,053	-	15,442,683
Other liabilities	713,720	376,022	-	1,089,742
Total Liabilities	15,774,350	758,075	-	16,532,425
Deferred inflows -pensions	88,040	14,861	-	102,901
Net Position:				
Net investment in capital assets	21,078,252	4,151,101	(283,427)	24,945,926
Restricted	1,736,085	-	-	1,736,085
Unrestricted	(799,107)	6,125,528	283,427	5,609,848
Total Net Position	\$ 22,015,230	\$ 10,276,629	\$ -	\$ 32,291,859

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

A portion of the primary government's net position, \$1,685,474 or five percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$8,524,565 or 26 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$282,215 during the current fiscal year. This included a decrease of \$1,787,295 in the governmental activities. The increase in business-type activities of \$2,069,510 is primarily a result of an increase in charges for services largely due to an increase in water and gas consumption.

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt net of unspent bond proceeds associated with governmental activities in the amount of \$2,317,833 is being used for capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Statement of Activities:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 2,757,259	\$ 2,855,531	\$ 6,683,295	\$ 6,223,760	\$ 9,440,554	\$ 9,079,291
Operating grants and contributions	175,922	195,189	-	-	175,922	195,189
General revenues:						
Property taxes	2,099,948	1,960,930	-	-	2,099,948	1,960,930
Sales taxes	1,758,514	1,911,962	-	-	1,758,514	1,911,962
Franchise fees	461,882	476,417	-	-	461,882	476,417
Payment in lieu of taxes	1,081,530	819,238	-	-	1,081,530	819,238
Investment earnings	39,227	22,929	15,809	11,557	55,036	34,486
Other revenues	111,348	120,689	-	-	111,348	120,689
Total Revenues	8,485,630	8,362,885	6,699,104	6,235,317	15,184,734	14,598,202
Expenses						
General government	2,505,371	2,157,099	-	-	2,505,371	2,157,099
Public safety	2,519,727	2,355,558	-	-	2,519,727	2,355,558
Public works	1,069,233	1,058,287	-	-	1,069,233	1,058,287
Sanitation	1,017,643	1,033,415	-	-	1,017,643	1,033,415
Transportation	34,126	6,340	-	-	34,126	6,340
Culture and recreation	1,141,247	1,056,022	-	-	1,141,247	1,056,022
Judicial and courts	68,190	78,987	-	-	68,190	78,987
Economic development/ tourism	667,248	579,150	-	-	667,248	579,150
Interest on long-term debt	215,692	770,144	-	-	215,692	770,144
Water	-	-	1,538,686	1,442,221	1,538,686	1,442,221
Sewer	-	-	1,215,529	1,239,091	1,215,529	1,239,091
Gas	-	-	2,909,828	2,149,729	2,909,828	2,149,729
Total Expenses	9,238,476	9,095,002	5,664,043	4,831,041	14,902,519	13,926,043
Increase (Decrease) in Net Position Before Transfers	(752,846)	(732,117)	1,035,061	1,404,276	282,215	672,159
Transfers	(1,034,449)	682,419	1,034,449	(682,419)	-	-
Change in Net Position	(1,787,295)	(49,698)	2,069,510	721,857	282,215	672,159
Beginning net position	22,015,230	22,064,928	10,276,629	9,554,772	32,291,859	31,619,700
Ending Net Position	\$ 20,227,935	\$ 22,015,230	\$ 12,346,139	\$ 10,276,629	\$ 32,574,074	\$ 32,291,859

For the year ended September 30, 2018, revenues from governmental activities totaled \$8,485,630 compared with \$8,362,885 in the prior year. This \$122,745 increase occurred as the result of an increase in payments in lieu of taxes.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Governmental expenses increased by \$143,474. This increase is primarily due to increases in expenses related to general government and culture and recreation. General government increased primarily due to the addition of another department and execution of development agreements related to Pecan Lakes subdivision improvements and Sterling Chevrolet sewer line replacement. Culture and recreation increased primarily due to an increase in maintenance expenses.

Overall, business-type activity revenues increased by \$463,787 from the prior period due an increase in water and gas consumption for the year ended September 30, 2018.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$6,067,693. Of this, \$372,479 is restricted for debt service, \$116,590 is restricted for the court and PEG fees, \$549,173 is restricted for tourism, \$956,065 is restricted for capital projects, and \$647,232 is restricted for cemetery.

There was a decrease in the combined fund balance of \$2,083,320 over the prior year. The decrease in general government is primarily due to an increase in capital outlay expenses. The increase in capital outlay is largely due to an increase in water and sewer improvements. Fund balance in the general fund increased by \$245,435, mainly due to an increase in payments in lieu of taxes. Fund balance in the debt service fund experienced a decrease of \$37,221. Fund balance in the street fund experienced a decrease of \$140,195 due an increase in expenditures related to street repairs and maintenance. Fund balance in the capital projects fund decreased by \$2,130,378 due to an increase in water and sewer improvements.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$3,720,608, while total fund balance reached \$3,822,386. 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 54 percent of total general fund expenditures, while total fund balance represents 56 percent of that same amount.

Proprietary Funds – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$273,540. The actual fund balance for the year increased by \$245,435. Budgeted revenues exceeded actual by \$491,060, primarily due to less property taxes and sales taxes than expected. Actual expenditures were under the amended budget by \$612,319. The majority of this positive variance from the amended budget was a result of scaling back expenditures in most departments.

CITY OF NAVASOTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

CAPITAL ASSETS

At the end of fiscal year 2018, the City's governmental and business-type activities had invested \$33,079,436 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$918,290.

Major capital asset events during the year included the following:

- Street improvements in the amount of \$633,091
- Sewer system improvements in the amount of \$571,058
- Water system improvements in the amount of \$1,325,842

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, and capital leases outstanding of \$12,185,809. Of this amount, \$3,925,000 was general obligation bonds, \$8,020,000 was certificates of obligation, and capital leases accounted for the remaining \$240,809.

More detailed information about the City's long-term liabilities is presented in note III. D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's general fund budgeted expenditures total \$9,296,599 and budgeted revenues total \$9,296,599 for fiscal year 2019. The City Council adopted a 2019 tax rate of \$0.5542 per \$100 of valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to the Finance Director, 200 East McAlpine, Navasota, Texas, 77868; telephone 936-825-6475; or for general City information, visit the City's website at www.navasotatx.gov.

BASIC FINANCIAL STATEMENTS

CITY OF NAVASOTA, TEXAS

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 3,567,289	\$ 4,830,160	\$ -	\$ 8,397,449
Pooled investments	2,707,180	1,299,778	-	4,006,958
Receivables, net	919,780	1,185,286	-	2,105,066
Internal balances	797	(797)	-	-
Inventory	-	44,222	-	44,222
Capital assets:				
Nondepreciable	1,330,450	2,110,768	-	3,441,218
Net depreciable	26,054,983	3,583,235	-	29,638,218
Total Assets	34,580,479	13,052,652	-	47,633,131
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	355,568	-	-	355,568
Deferred outflows - pensions	211,847	36,991	-	248,838
Deferred outflows - OPEB	10,923	2,501	-	13,424
Total Deferred Outflows of Resources	578,338	39,492	-	617,830
<u>Liabilities</u>				
Accounts payable and accrued liabilities	665,585	343,397	-	1,008,982
Customer deposits	-	191,287	-	191,287
Accrued interest payable	12,954	1,626	-	14,580
Due to primary government	6,876	-	-	6,876
Deficit claim on cash	259,177	-	-	259,177
Unearned revenue	14,309	-	-	14,309
Noncurrent liabilities:				
Long-term liabilities due within one year	717,577	23,102	-	740,679
Long-term liabilities due in more than one year	12,738,194	81,631	-	12,819,825
Total Liabilities	14,414,672	641,043	-	15,055,715
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	516,210	104,962	-	621,172
<u>Net Position</u>				
Net investment in capital assets	19,018,387	5,663,481	(2,317,833)	22,364,035
Restricted for:				
Debt service	372,479	-	-	372,479
Tourism	549,173	-	-	549,173
Cemetery	647,232	-	-	647,232
Municipal court	72,880	-	-	72,880
PEG fees	43,710	-	-	43,710
Economic development	-	-	-	-
Unrestricted	(475,926)	6,682,658	2,317,833	8,524,565
Total Net Position	\$ 20,227,935	\$ 12,346,139	\$ -	\$ 32,574,074

See Notes to Financial Statements.

Component
Unit
Navasota
Economic
Dev. Corp.

\$	444,622
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-

27,564

-

-

-

-

472,186

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4,350

-

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4,350

-

-

-

-

-

-

-

467,836

-

\$	467,836
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CITY OF NAVASOTA, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 2,505,371	\$ 1,744,484	\$ -
Public safety	2,519,727	169,965	175,922
Public works	1,069,233	-	-
Sanitation	1,017,643	-	-
Transportation	34,126	574,288	-
Culture and recreation	1,141,247	174,636	-
Judicial and courts	68,190	93,886	-
Economic development/tourism	667,248	-	-
Interest and fiscal agent fees on long-term debt	215,692	-	-
Total Governmental Activities	<u>9,238,476</u>	<u>2,757,259</u>	<u>175,922</u>
Business-Type Activities			
Water	1,538,686	2,141,679	-
Sewer	1,215,529	1,369,075	-
Gas	2,909,828	3,172,541	-
Total Business-Type Activities	<u>5,664,043</u>	<u>6,683,295</u>	<u>-</u>
Total Primary Government	<u>\$ 14,902,519</u>	<u>\$ 9,440,554</u>	<u>\$ 175,922</u>
Component Unit			
Navasota Economic Development Corp.	\$ 42,300	\$ -	\$ -
Total Component Unit	<u>\$ 42,300</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise fees and other taxes
 Payment in lieu of taxes
 Investment earnings
 Other revenues
 Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Navasota Economic Dev. Corp.
Governmental Activities	Business-Type Activities	Total	
\$ (760,887)	\$ -	\$ (760,887)	\$ -
(2,173,840)	-	(2,173,840)	-
(1,069,233)	-	(1,069,233)	-
(1,017,643)	-	(1,017,643)	-
540,162	-	540,162	-
(966,611)	-	(966,611)	-
25,696	-	25,696	-
(667,248)	-	(667,248)	-
(215,692)	-	(215,692)	-
(6,305,295)	-	(6,305,295)	-
-	602,993	602,993	-
-	153,546	153,546	-
-	262,713	262,713	-
-	1,019,252	1,019,252	-
(6,305,295)	1,019,252	(5,286,043)	-
-	-	-	(42,300)
-	-	-	(42,300)
2,099,948	-	2,099,948	-
1,758,514	-	1,758,514	157,852
461,882	-	461,882	-
1,081,530	-	1,081,530	-
39,227	15,809	55,036	778
111,348	-	111,348	1,775
(1,034,449)	1,034,449	-	-
4,518,000	1,050,258	5,568,258	160,405
(1,787,295)	2,069,510	282,215	118,105
22,015,230	10,276,629	32,291,859	349,731
\$ 20,227,935	\$ 12,346,139	\$ 32,574,074	\$ 467,836

CITY OF NAVASOTA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	General	Debt Service	Street	Capital Projects
<u>Assets</u>				
Cash and cash equivalents	\$ 1,209,320	\$ 363,661	\$ -	\$ 1,218,689
Pooled investments	2,215,331	-	358	-
Receivables, net	747,196	45,123	97,461	-
Due from other funds	182,046	6,517	-	-
Due from other governments	2,946	-	-	-
Total Assets	\$ 4,356,839	\$ 415,301	\$ 97,819	\$ 1,218,689
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 365,221	\$ -	\$ 11,278	\$ 262,624
Due to other funds	6,517	-	151,499	-
Due to other governments	9,822	-	-	-
Deficit claim on cash	-	-	229,496	-
Unearned revenue	14,309	-	-	-
Total Liabilities	395,869	-	392,273	262,624
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	138,584	42,822	-	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	372,479	-	-
Tourism	-	-	-	-
Capital projects	-	-	-	956,065
Cemetery	-	-	-	-
Municipal court	72,880	-	-	-
PEG fees	28,898	-	-	-
Unassigned	3,720,608	-	(294,454)	-
Total Fund Balances	3,822,386	372,479	(294,454)	956,065
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,356,839	\$ 415,301	\$ 97,819	\$ 1,218,689

Adjustments for the Statement of Net Position:

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

Capital assets - nondepreciable

Capital assets - net depreciable

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Property taxes

Some liabilities, including bonds payable and net pension and total OPEB liability, are not reported as liabilities in the governmental funds.

Accrued interest payable

Deferred charge on refunding

Deferred outflows - pensions

Deferred inflows - pensions

Deferred outflows - OPEB

Noncurrent liabilities due in one year

Noncurrent liabilities due in more than one year

Net Position of Governmental Activities

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 775,619	\$ 3,567,289
491,491	2,707,180
30,000	919,780
-	188,563
-	2,946
<u>\$ 1,297,110</u>	<u>\$ 7,385,758</u>

\$ 26,462	\$ 665,585
29,750	187,766
-	9,822
29,681	259,177
-	14,309
<u>85,893</u>	<u>1,136,659</u>

-	181,406
---	---------

-	372,479
549,173	549,173
-	956,065
647,232	647,232
-	72,880
14,812	43,710
-	3,426,154
<u>1,211,217</u>	<u>6,067,693</u>

\$ 1,297,110

1,330,450	
<u>26,054,983</u>	27,385,433
	181,406

(12,954)	
355,568	
211,847	
(516,210)	
10,923	
(717,577)	
<u>(12,738,194)</u>	
	(13,406,597)
	<u>\$ 20,227,935</u>

CITY OF NAVASOTA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	General	Debt Service	Street	Capital Projects
<u>Revenues</u>				
Property taxes	\$ 1,702,741	\$ 382,320	\$ -	\$ -
Sales taxes	1,758,514	-	-	-
Franchise fees and other taxes	322,892	-	-	-
Payment in lieu of taxes	1,081,530	-	-	-
Licenses and permits	169,965	-	-	-
Intergovernmental	160,211	-	-	-
Charges for services	1,713,409	-	12,291	-
Fines and forfeitures	93,886	-	-	-
Fees	94,364	-	561,997	-
Investment earnings	23,913	614	4,525	4,726
Rents and leases	80,272	-	-	-
Other revenues	111,348	-	-	-
Total Revenues	<u>7,313,045</u>	<u>382,934</u>	<u>578,813</u>	<u>4,726</u>
<u>Expenditures</u>				
Current:				
General government	2,064,760	-	-	-
Public safety	2,439,092	-	-	-
Public works	-	-	1,209,567	-
Sanitation	1,000,390	-	-	-
Transportation	34,209	-	-	-
Culture and recreation	793,794	-	-	-
Judicial and courts	68,364	-	-	-
Economic development/tourism	463,093	-	-	-
Capital outlay	-	-	6,374	2,135,104
Debt service:				
Principal	13,091	630,000	9,574	-
Interest and fiscal charges	4,685	328,805	3,426	-
Total Expenditures	<u>6,881,478</u>	<u>958,805</u>	<u>1,228,941</u>	<u>2,135,104</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ 431,567</u>	<u>\$ (575,871)</u>	<u>\$ (650,128)</u>	<u>\$ (2,130,378)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	538,650	509,933	-
Transfers (out)	(186,132)	-	-	-
Total Other Financing Sources Uses	<u>(186,132)</u>	<u>538,650</u>	<u>509,933</u>	<u>-</u>
Net Change in Fund Balances	245,435	(37,221)	(140,195)	(2,130,378)
Beginning fund balances	3,576,951	409,700	(154,259)	3,086,443
Ending Fund Balances	<u>\$ 3,822,386</u>	<u>\$ 372,479</u>	<u>\$ (294,454)</u>	<u>\$ 956,065</u>

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 2,085,061
-	1,758,514
138,990	461,882
-	1,081,530
-	169,965
15,711	175,922
-	1,725,700
-	93,886
31,075	687,436
5,449	39,227
-	80,272
-	111,348
<u>191,225</u>	<u>8,470,743</u>
6,646	2,071,406
-	2,439,092
899	1,210,466
-	1,000,390
-	34,209
-	793,794
-	68,364
204,641	667,734
-	2,141,478
-	652,665
-	336,916
<u>212,186</u>	<u>11,416,514</u>
<u>\$ (20,961)</u>	<u>(2,945,771)</u>
-	1,048,583
-	(186,132)
<u>-</u>	<u>862,451</u>
(20,961)	(2,083,320)
1,232,178	8,151,013
<u>\$ 1,211,217</u>	<u>\$ 6,067,693</u>

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CITY OF NAVASOTA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$ (2,083,320)
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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 and reported as depreciation expense.

Capital outlay	659,869
Depreciation expense	(1,165,668)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	14,887
----------------	--------

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

Principal expenditures	652,665
Net pension liability	922,039
Deferred outflows - pensions	(39,562)
Deferred inflows - pensions	(859,624)
Total OPEB liability	(21,605)
Deferred outflows - OPEB	10,181
Amortization of premium	50,141

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

Accrued interest	71,083
Compensated absences	1,619

Change in Net Position of Governmental Activities	\$ (1,787,295)
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See Notes to Financial Statements.

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CITY OF NAVASOTA, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2018

Business-Type Activities - Enterprise Funds				
	Water	Sewer	Gas	Total Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,663,000	\$ 987,530	\$ 2,179,630	\$ 4,830,160
Pooled investments	524,153	356,272	419,353	1,299,778
Receivables, net	366,798	240,413	578,075	1,185,286
Due from other funds	691,642	-	-	691,642
Inventories	28,459	5,491	10,272	44,222
Total Current Assets	3,274,052	1,589,706	3,187,330	8,051,088
Noncurrent assets:				
Capital assets:				
Land	55,411	39,142	9,188	103,741
Buildings	82,081	8,496	12,936	103,513
Construction in progress	1,391,689	615,338	-	2,007,027
Water system	7,407,964	-	-	7,407,964
Sewer system	-	9,896,864	-	9,896,864
Gas system	-	-	1,795,759	1,795,759
Vehicles	61,930	22,814	36,977	121,721
Machinery and equipment	426,855	101,039	207,195	735,089
Less: accumulated depreciation	(6,682,445)	(8,193,962)	(1,601,268)	(16,477,675)
Total Capital Assets (Net)	2,743,485	2,489,731	460,787	5,694,003
Total Noncurrent Assets	2,743,485	2,489,731	460,787	5,694,003
Total Assets	6,017,537	4,079,437	3,648,117	13,745,091
Deferred Outflows of Resources				
Deferred outflows - pensions	19,508	11,544	5,939	36,991
Deferred outflows - OPEB	1,089	1,124	288	2,501
Total Deferred Outflows of Resources	20,597	12,668	6,227	39,492
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	28,406	15,079	299,912	343,397
Accrued interest payable	-	-	1,626	1,626
Due to other funds	314	322	691,803	692,439
Customer deposits	122,482	-	68,805	191,287
Capital lease	-	-	3,396	3,396
Compensated absences	11,106	7,577	1,023	19,706
Total Current Liabilities	162,308	22,978	1,066,565	1,251,851
Noncurrent liabilities:				
Capital lease	-	-	27,126	27,126
Compensated absences	1,234	842	113	2,189
Net pension liability	7,166	382	9,488	17,036
Net OPEB liability	15,361	15,852	4,067	35,280
Total Noncurrent Liabilities	23,761	17,076	40,794	81,631
Total Liabilities	186,069	40,054	1,107,359	1,333,482
Deferred Inflows of Resources				
Deferred inflows - pensions	57,829	35,373	11,760	104,962
Net Position				
Net investment in capital assets	2,743,485	2,489,731	430,265	5,663,481
Unrestricted	3,050,751	1,526,947	2,104,960	6,682,658
Total Net Position	\$ 5,794,236	\$ 4,016,678	\$ 2,535,225	\$ 12,346,139

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Gas	Total Enterprise Funds
<u>Operating Revenues</u>				
Sales	\$ 1,845,381	\$ 1,341,083	\$ 3,027,121	\$ 6,213,585
Charges for services	64,503	-	4,263	68,766
Penalties and reconnect fees	35,439	24,542	11,968	71,949
Tap fees	6,320	3,450	3,950	13,720
Line extension fees	-	-	116,552	116,552
Other revenues	190,036	-	8,687	198,723
Total Operating Revenues	2,141,679	1,369,075	3,172,541	6,683,295
<u>Operating Expenses</u>				
Water services	1,395,699	-	-	1,395,699
Sewer services	-	879,143	-	879,143
Gas services	-	-	2,852,287	2,852,287
Depreciation	142,987	336,386	54,218	533,591
Total Operating Expenses	1,538,686	1,215,529	2,906,505	5,660,720
Operating Income	602,993	153,546	266,036	1,022,575
<u>Nonoperating Revenues (Expenses)</u>				
Investment earnings	2,459	6,313	7,037	15,809
Interest expense	-	-	(3,323)	(3,323)
Total Nonoperating Revenues (Expenses)	2,459	6,313	3,714	12,486
Income Before Contributions and Transfers	605,452	159,859	269,750	1,035,061
<u>Contributions and Transfers</u>				
Capital contribution	1,325,842	571,058	-	1,896,900
Transfers (out)	(285,775)	(496,436)	(80,240)	(862,451)
Total Contributions and Transfers	1,040,067	74,622	(80,240)	1,034,449
Change in Net Position	1,645,519	234,481	189,510	2,069,510
Beginning net position	4,148,717	3,782,197	2,345,715	10,276,629
Ending Net Position	\$ 5,794,236	\$ 4,016,678	\$ 2,535,225	\$ 12,346,139

See Notes to Financial Statements.

CITY OF NAVASOTA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			Total Funds
	Water	Sewer	Gas	
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 2,083,936	\$ 1,371,280	\$ 2,989,255	\$ 6,444,471
Payments to suppliers	(991,416)	(643,876)	(2,599,794)	(4,235,086)
Payments to employees	(390,935)	(233,549)	(106,429)	(730,913)
Net Cash Provided by Operating Activities	701,585	493,855	283,032	1,478,472
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers (out) to other funds	(285,775)	(496,436)	(80,240)	(862,451)
Net Cash (Used) by Noncapital Financing Activities	(285,775)	(496,436)	(80,240)	(862,451)
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	-	(35,779)	-	(35,779)
Principal paid on debt	-	-	(113,288)	(113,288)
Interest and fiscal charges	-	-	(3,323)	(3,323)
Net Cash (Used) by Capital and Related Financing Activities	-	(35,779)	(116,611)	(152,390)
<u>Cash Flows from Investing Activities</u>				
Sale of investments	(195,838)	(3,562)	(5,906)	(205,306)
Interest on investments	2,459	6,313	7,037	15,809
Net Cash Provided (Used) by Investing Activities	(193,379)	2,751	1,131	(189,497)
Net Increase (Decrease) in Cash and Cash Equivalents	222,431	(35,609)	87,312	274,134
Beginning cash and cash equivalents	1,440,569	1,023,139	2,092,318	4,556,026
Ending Cash and Cash Equivalents	\$ 1,663,000	\$ 987,530	\$ 2,179,630	\$ 4,830,160

CITY OF NAVASOTA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2018

	Business-Type Activities - Enterprise Funds			Total Funds
	Water	Sewer	Gas	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income	\$ 602,993	\$ 153,546	\$ 266,036	\$ 1,022,575
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	142,987	336,386	54,218	533,591
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(55,238)	2,205	(183,016)	(236,049)
Deferred outflows - pensions	39,072	21,348	13,909	74,329
Deferred outflows - OPEB	(1,015)	(1,048)	(268)	(2,331)
Increase (Decrease) in:				
Accounts payable and accrued liabilities	14,737	2,103	146,223	163,063
Compensated absences	720	1,430	389	2,539
Customer deposits	(2,505)	-	(270)	(2,775)
Net pension liability	(91,893)	(55,296)	(24,328)	(171,517)
Deferred inflows - pensions	49,573	30,959	9,569	90,101
Total OPEB liability	2,154	2,222	570	4,946
Net Cash Provided by Operating Activities	<u><u>\$ 701,585</u></u>	<u><u>\$ 493,855</u></u>	<u><u>\$ 283,032</u></u>	<u><u>\$ 1,478,472</u></u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	<u><u>\$ 1,325,842</u></u>	<u><u>\$ 571,058</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,896,900</u></u>

See Notes to Financial Statements.

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CITY OF NAVASOTA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2018

		<u>Board of Fireman Service</u>
<u>Assets</u>		
Cash		\$ 27,917
	Total Assets	<u>\$ 27,917</u>
 <u>Net Position</u>		
Net position held in trust for pension benefits		\$ 27,917
	Total Net Position	<u>\$ 27,917</u>

See Notes to Financial Statements.

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CITY OF NAVASOTA, TEXAS
STATEMENT OF CHANGES FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2018

		<u>Board of Fireman Service</u>
<u>Operating Revenues</u>		
Investment earnings		\$ 57
	Total Additions	<u>\$ 57</u>
<u>Operating Expenses</u>		
Benefits		\$ 500
	Total Deductions	<u>500</u>
	Change in Net Position	(443)
Beginning net position		28,360
	Ending Net Position	<u>\$ 27,917</u>

See Notes to Financial Statements.

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CITY OF NAVASOTA, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Navasota, Texas (the “City”) was incorporated in October 1866 and adopted a “Home Rule Charter”, which provided for a “Council-Manager” form of government. A Mayor and four Council members are elected by voters of the City at large for two-year terms. The City Manager is appointed by a majority vote of the City Council. The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the charter or by ordinance. The Mayor is the presiding officer of the City Council and votes on all matters.

The City provides the following services: public safety (police, fire, and EMS); water, sewer, and gas services; solid waste collection and disposal (contract); public works; transportation; culture and recreation; municipal courts; economic development; and general government.

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

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

Discretely Presented Component Unit

Navasota Economic Development Corporation

The Navasota Economic Development Corporation (NEDC) has been included in the reporting entity as a discretely presented component unit. The NEDC was created by the City under the Texas Development Corporation Act of 1979 and covered by Section 4B of the Act. In August 1994, the City Council authorized the creation of the NEDC for the purpose of promoting and facilitating commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare on behalf of the City. The City Council approved an ordinance

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

levying a sales and use tax of one eighth of one percent for the benefit of the NEDC. The NEDC's Board of Directors consists of seven members appointed by City Council.

B. Government-Wide 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 and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, sanitation, transportation, culture and recreation, judicial and courts, and economic development/tourism. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the street fund, grants fund, hotel/motel occupancy tax fund, and cemetery operations fund. The street fund is considered a major fund for reporting purposes. The primary source of revenue for the street fund is street and drainage fees. The remaining special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and gas operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water, sewer, and gas funds are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains one fiduciary fund, the board of fireman service fund. The board of fireman service fund is a pension trust fund used to account for funds administered for the local volunteer firemen's pension plan.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Measurement Focus and Basis of Accounting

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

2. Investments

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

The City maintains a pooled investment account. Each fund whose monies are deposited in the pooled investment account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "pooled investments."

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

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

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 to 50 years
Equipment	5 to 15 years
Vehicles	5 to 15 years
Water, sewer, gas systems	10 to 55 years
Infrastructure	20 to 75 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has five items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred charge has been recognized for employer pension and other postemployment benefits (OPEB) plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension and total OPEB liability during the measurement period in which the contributions were made. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the City's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

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. The City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate certain earned but unused benefits. Amounts accumulated may be paid to employees upon termination of employment or during employment in

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

accordance with the City's personnel policy. The estimated amount that will be paid as compensation for services provided is recorded as a liability in the general fund. All eligible time is accrued when incurred in the government-wide and proprietary fund financial statements.

7. 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, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

For the 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' 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 NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

13. Other Postemployment Benefits

The fiduciary net position of the TMRS Supplemental Death Benefits Fund (SDBF) has been determined using the flow of economic resources measurement focus and 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 SDBF's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund 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 nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year. No supplemental budget appropriations were made for the year ended September 30, 2018.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

1. Expenditures in Excess of Appropriations

For the year ended September 30, 2018, expenditures exceeded appropriations at the legal level of control as follows:

General Fund		
General government – finance	\$	614
General government – human resources	\$	4,303
Sanitation	\$	7,770
Culture and recreation – parks	\$	8,212
Debt Service Fund		
Principal	\$	230,000

B. Deficit Fund Balance

At September 30, 2018, the street fund had a deficit fund balance of \$294,454. The reason for the deficit was the City had more expenditures than revenue earned. The City plans to offset the deficit with transfers in from the general fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. agencies	\$ 645,075	2.68
Collateralized mortgage obligations	42,148	0.52
Certificates of deposit	1,815,000	1.95
Investment pools	665,179	0.00
Money markets	839,556	0.00
Total Value	<u><u>\$ 4,006,958</u></u>	
Portfolio weighted average maturity		0.50

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

As of September 30, 2018, the City had the following recurring fair value measurements:

		Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
	September 30, 2018	
<u>Investments by Fair Value Level</u>		
U.S. Government Agency Bonds/Notes		
Federal Home Loan Mortgage Corporation	\$ 57,930	\$ 57,930
Federal National Mortgage Association	587,145	587,145
Collateralized Mortgage Obligations	42,148	42,148
Total	\$ 687,223	\$ 687,223

U. S. Government agency bonds and notes and collateralized mortgage obligations are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of September 30, 2018, the City's investments in TexPool, TexSTAR, and Texas CLASS were rated 'AAAm' by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the U.S. Government or the issuing U.S. agency. These investments were rated not less than 'AAA' by both Moody's and Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

the depository bank to be collateralized by securities. As of September 30, 2018, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State 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. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Texas CLASS

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

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the street fund, the nonmajor governmental funds in the aggregate, and the enterprise funds, including the applicable allowances for uncollectible accounts:

	Governmental Funds			
	General	Debt Service	Street	Nonmajor Governmental
Accounts	\$ 294,970	\$ -	\$ 97,461	\$ -
Property taxes	189,173	85,668	-	-
Sales taxes	377,290	-	-	-
Grants	-	-	-	30,000
Other	16,669	2,302	-	-
Less:				
Allowances	(130,906)	(42,847)	-	-
Total	\$ 747,196	\$ 45,123	\$ 97,461	\$ 30,000

	Business-Type Funds		
	Water	Sewer	Gas
Accounts	\$ 518,252	\$ 333,867	\$ 609,269
Less:			
Allowances	(151,454)	(93,454)	(31,194)
Total	\$ 366,798	\$ 240,413	\$ 578,075

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

C. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 681,109	\$ -	\$ -	\$ 681,109
Construction in progress	16,250	633,091	-	649,341
Total capital assets not being depreciated	<u>697,359</u>	<u>633,091</u>	<u>-</u>	<u>1,330,450</u>
Other capital assets:				
Buildings and improvements	17,726,691	-	-	17,726,691
Machinery and equipment	1,572,109	26,778	-	1,598,887
Vehicles	1,966,490	-	(46,524)	1,919,966
Infrastructure	19,173,391	-	-	19,173,391
Total other capital assets	<u>40,438,681</u>	<u>26,778</u>	<u>(46,524)</u>	<u>40,418,935</u>
Total capital assets	<u>41,136,040</u>	<u>659,869</u>	<u>(46,524)</u>	<u>41,749,385</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,023,858)	(468,275)	-	(5,492,133)
Machinery and equipment	(1,206,657)	(67,979)	-	(1,274,636)
Vehicles	(1,357,679)	(116,123)	46,524	(1,427,278)
Infrastructure	(5,656,614)	(513,291)	-	(6,169,905)
Total accumulated depreciation	<u>(13,244,808)</u>	<u>(1,165,668)</u>	<u>46,524</u>	<u>(14,363,952)</u>
Other capital assets, net	<u>27,193,873</u>	<u>(1,138,890)</u>	<u>-</u>	<u>26,054,983</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,891,232</u>	<u>\$ (505,799)</u>	<u>\$ -</u>	<u>27,385,433</u>
			Less associated debt	(9,678,679)
			Plus unspent bond proceeds	956,065
			Deferred charge on refunding	355,568
			Net Investment in Capital Assets	<u>\$ 19,018,387</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 192,671
Public safety	114,480
Culture and recreation	348,365
Public works	492,775
Sanitation	17,377
Total Governmental Activities Depreciation Expense	<u>\$ 1,165,668</u>

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

The following is a summary of changes in capital assets for business-type activities for the year end:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 103,741	\$ -	\$ -	\$ 103,741
Construction in progress	110,127	1,896,900	-	2,007,027
Total capital assets not being depreciated	<u>213,868</u>	<u>1,896,900</u>	<u>-</u>	<u>2,110,768</u>
Other capital assets:				
Buildings and improvements	103,513	-	-	103,513
Vehicles	96,721	25,000	-	121,721
Machinery and equipment	699,309	35,780	-	735,089
Water system	7,407,964	-	-	7,407,964
Sewer system	9,896,864	-	-	9,896,864
Gas system	1,795,759	-	-	1,795,759
Total other capital assets	<u>20,000,130</u>	<u>60,780</u>	<u>-</u>	<u>20,060,910</u>
Less accumulated depreciation for:				
Buildings and improvements	(61,950)	(2,895)	-	(64,845)
Vehicles	(82,506)	(13,817)	-	(96,323)
Machinery and equipment	(590,622)	(12,019)	-	(602,641)
Water system	(6,092,574)	(135,004)	-	(6,227,578)
Sewer system	(7,777,326)	(327,917)	-	(8,105,243)
Gas system	(1,339,106)	(41,939)	-	(1,381,045)
Total accumulated depreciation	<u>(15,944,084)</u>	<u>(533,591)</u>	<u>-</u>	<u>(16,477,675)</u>
Total capital assets, being depreciated, net	<u>4,056,046</u>	<u>(472,811)</u>	<u>-</u>	<u>3,583,235</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,269,914</u>	<u>\$ 1,424,089</u>	<u>\$ -</u>	<u>5,694,003</u>
			Less associated debt	<u>(30,522)</u>
			Net Investment in Capital Assets	<u>\$ 5,663,481</u>

Depreciation was charged to business-type functions as follows:

Water	\$ 142,987
Sewer	336,386
Gas	54,218
Total Business-Type Activities Depreciation Expense	<u>\$ 533,591</u>

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

D. Long-Term Debt

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and other payables:					
Certificates of obligation	\$ 4,430,000	\$ -	\$ 505,000	\$ 3,925,000	\$ 520,000
General obligation bonds	8,145,000	-	125,000	8,020,000	50,000
Capital lease	232,952	-	22,665	210,287	23,410
Total	<u>12,807,952</u>	<u>-</u>	<u>652,665</u>	<u>12,155,287</u>	<u>* 593,410</u>
Other liabilities:					
Premium on bonds	816,909	-	50,141	766,768	* -
Net pension liability	1,163,665	-	922,039	241,626	-
Total OPEB liability	132,522	21,605	-	154,127	-
Compensated absences	139,582	173,038	174,657	137,963	124,167
Total	<u>2,252,678</u>	<u>194,643</u>	<u>1,146,837</u>	<u>1,300,484</u>	<u>124,167</u>
Total Governmental Activities	<u>\$ 15,060,630</u>	<u>\$ 194,643</u>	<u>\$ 1,799,502</u>	<u>\$ 13,455,771</u>	<u>\$ 717,577</u>

Long-Term Liabilities Due In More Than One Year \$ 12,738,194

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ -
Capital lease	33,810	-	3,288	30,522	3,396
Total	<u>143,810</u>	<u>-</u>	<u>113,288</u>	<u>30,522</u>	<u>* 3,396</u>
Other liabilities:					
Net pension liability/(asset)	188,553	-	171,517	17,036	-
Total OPEB liability	30,334	4,945	-	35,279	-
Compensated absences	19,356	35,942	33,402	21,896	19,706
Total Business-Type Activities	<u>\$ 382,053</u>	<u>\$ 40,887</u>	<u>\$ 318,207</u>	<u>\$ 104,733</u>	<u>\$ 23,102</u>

Long-Term Liabilities Due In More Than One Year \$ 81,631

Debt associated with governmental capital assets	\$ 9,678,679
Debt associated with business-type capital assets	3,273,898
Total debt associated with capital assets	<u>\$ 12,952,577</u> *

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates (%)	Balance
Governmental Activities		
Certificates of obligation		
Series 2009	3.00-4.50	\$ 805,000
Series 2016	2.25-4.00	3,120,000
Total Certificates of Obligation		3,925,000
General obligation bonds		
Series 2017	3.00-4.00	\$ 8,020,000
Total General Obligation Bonds		8,020,000
Capital lease		
Street equipment	3.287	210,287
Total Capital Lease		210,287
Total Governmental Activities Long-Term Debt		\$ 12,155,287

Description	Interest Rates (%)	Balance
Capital lease		
Ford Super Duty	3.287	\$ 30,522
Total Capital Lease		30,522
Total Business-Type Activities Long-Term Debt		\$ 30,522

The annual requirements to amortize general obligation bonds, certificates of obligations, and capital leases outstanding at year end were as follows:

Governmental Activities						
Year	Certificates of Obligation		General Obligation Bonds		Capital Leases	
Ending Sept. 30	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 520,000	\$ 107,281	\$ 50,000	\$ 278,550	\$ 23,410	\$ 6,913
2020	545,000	86,969	50,000	276,800	24,179	6,143
2021	135,000	74,044	485,000	266,100	24,974	5,348
2022	140,000	69,919	500,000	246,400	25,795	4,527
2023	145,000	66,369	525,000	225,900	26,642	3,680
2024-2028	775,000	283,363	2,945,000	794,675	85,287	5,668
2029-2033	875,000	183,516	3,465,000	266,175	-	-
2034-2037	790,000	48,150	-	-	-	-
Total	\$ 3,925,000	919,611	\$ 8,020,000	\$ 2,354,600	\$ 210,287	\$ 32,279

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Business-Type Activities		
Year		
Ending	Capital Leases	
Sept. 30	Principal	Interest
2019	\$ 3,396	\$ 1,003
2020	3,508	891
2021	3,623	776
2022	3,742	657
2023	3,866	534
2024-2027	12,387	822
Total	\$ 30,522	\$ 4,683

Capital Leases

Equipment acquired under current capital lease obligations totaled \$315,399, with accumulated depreciation of \$113,393

Operating Leases

The City leases certain fleet vehicles for the provision of public safety and public works services. Total operating lease costs were \$56,604 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year		
Ending	Fleet	
Sept. 30	Vehicles	
2019	\$	56,604
2020		56,604
2021		56,604
2022		47,165
	\$	216,977

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water, and wastewater) and equipment for general government and enterprise fund activities. These instruments include general obligation bonds, certificates of obligation, and capital leases. Future ad valorem tax revenues, water and sewer system revenues, or liens on property and equipment secure these debt obligations.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

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

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amounts
General	Street	\$ 151,499
General	Nonmajor	29,750
General	Water	314
General	Gas	161
General	Sewer	322
Debt service	General	6,517
Water	Gas	691,642
		<u>\$ 880,205</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

F. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

Transfer Out	Transfer In	Amounts
General	Street	\$ 204,948
General	Debt service	(18,816)
Water	Debt service	278,733
Water	Street	7,042
Sewer	Debt service	278,733
Sewer	Street	217,703
Gas	Street	80,240
		<u>\$ 1,048,583</u>

The water and sewer funds made transfers to the debt service fund to fund debt principal and interest payments. The general, water, and sewer funds made transfers to the street fund to fund street operations.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

G. Restatement of Net Position

Beginning net position for governmental activities was restated for the implementation of Governmental Account Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	<u>Governmental Activities</u>	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Business-Type Activities</u>
Prior year ending net position	\$ 22,147,010	\$ 4,161,850	\$ 2,349,192	\$ 3,795,751	\$ 10,306,793
Total OPEB liability	(132,522)	(13,207)	(3,497)	(13,630)	(30,334)
Contributions subsequent to the measurement date (OPEB)	742	74	20	76	170
Beginning Net Position - Restated	<u>\$ 22,015,230</u>	<u>\$ 4,148,717</u>	<u>\$ 2,345,715</u>	<u>\$ 3,782,197</u>	<u>\$ 10,276,629</u>

IV. OTHER INFORMATION

A. 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; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). 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 that can be obtained at www.tmr.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 percent of the member's deposits and interest.

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

	<u>2018</u>	<u>2017</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating	100% Repeating
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled, to but not yet receiving, benefits	47
Active employees	<u>77</u>
Total	<u><u>172</u></u>

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Employees for the City were required to contribute five percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.44 percent and 8.45 percent in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$271,390, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent 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 are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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 actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. 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 TPL.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 334,882	\$ -	\$ 334,882
Interest	850,106	-	850,106
Difference between expected and actual experience	(288,906)	-	(288,906)
Changes of assumptions	-	-	-
Contributions - employer	-	265,888	(265,888)
Contributions - employee	-	157,518	(157,518)
Net investment income	-	1,574,813	(1,574,813)
Benefit payments, including refunds of employee contributions	(589,750)	(589,750)	-
Administrative expense	-	(8,166)	8,166
Other changes	-	(415)	415
Net Changes	306,332	1,399,888	(1,093,556)
Balance at December 31, 2016	12,721,597	11,369,379	1,352,218
Balance at December 31, 2017	\$ 13,027,929	\$ 12,769,267	\$ 258,662

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75 percent, as well as what the City's NPL 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%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,245,232	\$ 258,662	\$ 1,343,645

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.tmr.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$241,451.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 39,973	\$ 300,667
Changes in actuarial assumptions	10,858	-
Difference between projected and actual investment earnings	-	320,505
Contributions subsequent to the measurement date	198,007	-
Total	\$ 248,838	\$ 621,172

\$198,007 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 NPL for the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	Pension Expense
2019	\$ (37,109)
2020	(91,784)
2021	(246,735)
2022	(194,713)
Total	\$ (570,341)

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefit

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

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 considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to, but not yet receiving, benefits	8
Active employees	77
Total	112

Total OPEB Liability

The City's total OPEB liability of \$189,406 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projects on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rate are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 7,246
Interest	6,269
Changes of assumptions	14,295
Benefit payments*	(1,260)
Net Changes	<u>26,550</u>
Beginning balance	162,856
Ending Balance	<u><u>\$ 189,406</u></u>

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF NAVASOTA, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, 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 or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$ 225,638	\$ 189,406	\$ 160,782

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$15,791. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 12,019	\$ -
Contributions subsequent to the measurement date	1,405	-
Total	\$ 13,424	\$ -

\$1,143 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 fiscal year ending September 30, 2019.

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

Year Ended September 30	OPEB Expense Amount
2019	\$ 2,276
2020	2,276
2021	2,276
2022	2,276
2023	2,276
Thereafter	639
Total	\$ 12,019

E. Firemen's Relief and Retirement Fund

Volunteer firefighters are eligible to participate in the volunteer firefighter pension plan, Firemen's Relief and Retirement Fund (the "Fund"), created under the Texas Local Firefighters Retirement Act. The City acts as administrator for the Fund, which is included as a fiduciary fund in this report, the board of fireman service fund. For more information, contact the Navasota Volunteer Fire Department, PO Box 910, Navasota, Texas, 77868; telephone 936-825-6490.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Revenues				
Property taxes	\$ 2,024,850	\$ 2,024,850	\$ 1,702,741	\$ (322,109)
Sales taxes	2,016,000	2,016,000	1,758,514	(257,486)
Franchise fees	300,215	300,215	322,892	22,677
Payment in lieu of taxes	912,545	912,545	1,081,530	168,985
Licenses and permits	79,757	79,757	169,965	90,208
Intergovernmental	182,000	182,000	160,211	(21,789)
Charges for services	1,753,786	1,753,786	1,713,409	(40,377)
Fines and forfeitures	93,000	93,000	93,886	886
Investment income	15,000	15,000	23,913	8,913
Fees	65,000	65,000	94,364	29,364
Rents and leases	54,000	54,000	80,272	26,272
Other revenues	307,952	307,952	111,348	(196,604)
Total Revenues	7,804,105	7,804,105	7,313,045	(491,060)
Expenditures				
Current:				
General Government				
Vehicle services	85,881	85,881	82,207	3,674
Legislative	560,110	560,110	375,889	184,221
Administration	546,969	546,969	473,240	73,729
Keep Navasota beautiful	2,000	2,000	1,584	416
City hall	316,197	316,197	293,063	23,134
Communications	59,067	59,067	48,429	10,638
Finance	345,270	345,270	345,884	(614) *
Human resources	102,228	102,228	106,531	(4,303) *
Technology	380,729	380,729	337,933	42,796
Total General Government	2,398,451	2,398,451	2,064,760	333,691
Public Safety				
Police	1,787,983	1,787,983	1,768,723	19,260
Fire	615,701	615,701	598,607	17,094
Animal control	76,878	76,878	71,639	5,239
Emergency management	1,000	1,000	123	877
Total Public Safety	2,481,562	2,481,562	2,439,092	42,470
Sanitation	992,620	992,620	1,000,390	(7,770) *
Transportation	41,700	41,700	34,209	7,491
Culture and Recreation				
Swimming pool	95,238	95,238	90,567	4,671
Parks	594,737	594,737	602,949	(8,212) *
Library	105,929	105,929	100,278	5,651
Total Culture and Recreation	795,904	795,904	793,794	2,110

CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND(Page 2 of 2)
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
<u>Expenditures (continued)</u>				
Judicial and Courts				
Municipal court	\$ 70,813	\$ 70,813	\$ 68,364	\$ 2,449
Total Judicial and Courts	<u>70,813</u>	<u>70,813</u>	<u>68,364</u>	<u>2,449</u>
Economic Development/Tourism				
Community development	319,914	319,914	315,270	4,644
Tourism	375,057	375,057	147,823	227,234
Total Economic Development/Tourism	<u>694,971</u>	<u>694,971</u>	<u>463,093</u>	<u>231,878</u>
Debt Service:				
Principal	13,091	13,091	13,091	-
Interest and fiscal charges	4,685	4,685	4,685	-
Total Debt Service	<u>17,776</u>	<u>17,776</u>	<u>17,776</u>	<u>-</u>
Total Expenditures	<u>7,493,797</u>	<u>7,493,797</u>	<u>6,881,478</u>	<u>612,319</u>
Excess of Revenues Over Expenditures	<u>310,308</u>	<u>310,308</u>	<u>431,567</u>	<u>121,259</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	103,100	103,100	-	(103,100)
Transfers (out)	<u>(686,948)</u>	<u>(686,948)</u>	<u>(186,132)</u>	<u>500,816</u>
Total Other Financing (Uses)	<u>(583,848)</u>	<u>(583,848)</u>	<u>(186,132)</u>	<u>397,716</u>
Net Change in Fund Balance	<u>\$ (273,540)</u>	<u>\$ (273,540)</u>	<u>245,435</u>	<u>\$ 518,975</u>
Beginning fund balance			<u>3,576,951</u>	
Ending Fund Balance			<u>\$ 3,822,386</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

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CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND

For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Revenues				
Charges for services	\$ 5,000	\$ 5,000	\$ 12,291	\$ 7,291
Fees	500,000	500,000	561,997	61,997
Investment earnings	1,000	1,000	4,525	3,525
Total Revenues	506,000	506,000	578,813	72,813
Expenditures				
Current:				
Public works	1,305,891	1,305,891	1,209,567	96,324
Debt service:				
Principal	9,574	9,574	9,574	-
Interest and fiscal charges	3,426	3,426	3,426	-
Total Expenditures	1,443,692	1,443,692	1,228,941	214,751
(Deficiency) of Revenues (Under)				
Expenditures	(937,692)	(937,692)	(650,128)	287,564
Other Financing Sources (Uses)				
Transfers in	512,891	512,891	509,933	(2,958)
Total Other Financing Sources	512,891	512,891	509,933	(2,958)
Net Change in Fund Balance	\$ (424,801)	\$ (424,801)	(140,195)	\$ 284,606
Beginning fund balance			(154,259)	
Ending Fund Balance			\$ (294,454)	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF NAVASOTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2018

	Measurement Year*		
	2015	2016	2017
Total Pension Liability			
Service cost	\$ 384,960	\$ 378,974	\$ 334,882
Interest (on the total pension liability)	805,224	825,090	850,106
Difference between expected and actual experience	111,420	(130,123)	(288,906)
Changes in assumptions	35,350	-	-
Benefit payments, including refunds of employee contributions	(454,372)	(772,826)	(589,750)
Net Change in Total Pension Liability	882,582	301,115	306,332
Beginning total pension liability	11,537,900	12,420,482	12,721,597
Ending Total Pension Liability	\$ 12,420,482	\$ 12,721,597	\$ 13,027,929
Plan Fiduciary Net Position			
Contributions - employer	\$ 296,093	\$ 264,786	\$ 265,888
Contributions - employee	194,033	176,760	157,518
Net investment income	16,121	740,920	1,574,813
Benefit payments, including refunds of employee contributions	(454,372)	(772,826)	(589,750)
Administrative expense	(9,821)	(8,372)	(8,166)
Other	(485)	(451)	(415)
Net Change in Plan Fiduciary Net Position	41,569	400,817	1,399,888
Beginning plan fiduciary net position	10,926,993	10,968,562	11,369,379
Ending Plan Fiduciary Net Position	\$ 10,968,562	\$ 11,369,379	\$ 12,769,267
Net Pension Liability	\$ 1,451,920	\$ 1,352,218	\$ 258,662
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.31%	89.37%	98.01%
Covered Payroll	\$ 3,880,650	\$ 3,535,208	\$ 3,150,351
Net Pension Liability as a Percentage of Covered Payroll	37.41%	38.25%	8.21%

*Only three years of information are currently available. The City will build this schedule over the next seven-year period.

CITY OF NAVASOTA, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2018

	Fiscal Year*		
	2016	2017	2018
Actuarially determined contribution	\$ 275,440	\$ 263,149	\$ 271,390
Contributions in relation to the actuarially determined contribution	275,440	263,149	271,390
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,657,514	\$ 3,224,052	\$ 3,205,957
Contributions as a percentage of covered payroll	7.53%	8.16%	8.47%

*Only three years of information is currently available. The City will build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% 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 2017 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.

3. Other Information:

There were no benefit changes during the year.

CITY OF NAVASOTA, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2018

	Measurement Year*
	2017
Total OPEB Liability	
Service cost	\$ 7,246
Interest (on the total OPEB liability)	6,269
Change of assumptions	14,295
Benefit payments	(1,260)
Net Change in Total OPEB Liability	26,550
Beginning total OPEB liability	162,856
Ending Total OPEB Liability	\$ 189,406
Covered Payroll	\$ 3,150,351
Total OPEB Liability as a Percentage of Covered Payroll	6.01%

*Only one year of information is currently available. The City will build this schedule over the next nine-year period.

**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 contributions for retirees.

Notes to Required Supplementary Information:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.

Mortality - service retirees RP2000 Combined Mortality Table with Blue Collar Adjustments 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 Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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

Change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

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COMBINING STATEMENTS AND SCHEDULES

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CITY OF NAVASOTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Revenues				
Property taxes	\$ -	\$ -	\$ 382,320	\$ 382,320
Investment earnings	-	-	614	614
Total Revenues	<u>-</u>	<u>-</u>	<u>382,934</u>	<u>382,934</u>
Expenditures				
Current:				
Principal	400,000	400,000	630,000	(230,000) *
Interest and fiscal charges	401,000	401,000	328,805	72,195
Total Expenditures	<u>801,000</u>	<u>801,000</u>	<u>958,805</u>	<u>(157,805)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(801,000)</u>	<u>(801,000)</u>	<u>(575,871)</u>	<u>225,129</u>
Other Financing Sources (Uses)				
Transfers in	801,000	801,000	538,650	(262,350) *
Total Other Financing Sources	<u>801,000</u>	<u>801,000</u>	<u>538,650</u>	<u>(262,350)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(37,221)</u>	<u>\$ (37,221)</u>
Beginning fund balance			<u>409,700</u>	
Ending Fund Balance			<u>\$ 372,479</u>	

Notes to Supplementary Information:

- * Expenditures exceeded appropriations at the legal level of control.

CITY OF NAVASOTA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

	Special Revenue Funds			Permanent Fund
	Grants	Hotel/Motel Occupancy Tax	Cemetery Operations	Cemetery Permanent
<u>Assets</u>				
Cash	\$ -	\$ 577,973	\$ 197,646	\$ -
Pooled investments	-	-	135,641	355,850
Receivables, net	30,000	-	-	-
Total Assets	\$ 30,000	\$ 577,973	\$ 333,287	\$ 355,850
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 26,462	\$ -
Due to other funds	-	28,800	-	950
Deficit claim on cash	15,188	-	-	14,493
Total Liabilities	15,188	28,800	26,462	15,443
<u>Fund Balances</u>				
Restricted for:				
Tourism	-	549,173	-	-
Cemetery	-	-	306,825	340,407
Total Fund Balances	14,812	549,173	306,825	340,407
Total Liabilities and Fund Balances	\$ 30,000	\$ 577,973	\$ 333,287	\$ 355,850

Total Nonmajor Governmental Funds	
\$	775,619
	491,491
	30,000
<hr/>	
\$	1,297,110
<hr/>	

\$	26,462
	29,750
	29,681
<hr/>	
	85,893
<hr/>	

	549,173
	647,232
	1,211,217
<hr/>	
\$	1,297,110
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CITY OF NAVASOTA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Special Revenue Funds			Permanent Fund
	Grants	Hotel/Motel Occupancy Tax	Cemetery Operations	Cemetery Permanent
Revenues				
Other taxes	\$ -	\$ 138,990	\$ -	\$ -
Intergovernmental	15,711	-	-	-
Investment earnings	-	1,179	2,435	1,835
Fees	-	0	31,075	-
Total Revenues	<u>15,711</u>	<u>140,169</u>	<u>33,510</u>	<u>1,835</u>
Expenditures				
General government	-	-	6,646	-
Public works	899	-	-	-
Economic development/tourism	-	204,641	-	-
Total Expenditures	<u>899</u>	<u>204,641</u>	<u>6,646</u>	<u>-</u>
Net Change in Fund Balances	14,812	(64,472)	26,864	1,835
Beginning fund balances	-	613,645	279,961	338,572
Ending Fund Balances	<u>\$ 14,812</u>	<u>\$ 549,173</u>	<u>\$ 306,825</u>	<u>\$ 340,407</u>

Total Nonmajor Governmental Funds	
\$	138,990
	15,711
	5,449
	31,075
	<u>191,225</u>
	6,646
	899
	204,641
	<u>212,186</u>
	(20,961)
	1,232,178
\$	<u><u>1,211,217</u></u>

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