

**CITY OF OAK POINT, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2018**

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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## **FINANCIAL SECTION**



Susan LaFollett, CPA – Partner  
Rod Abbott, CPA – Partner

## INDEPENDENT AUDITOR'S REPORT

To the City Council of the  
City of Oak Point, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oak Point, 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of the City of Oak Point, Texas, as of September 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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, and TMRS pension and OPEB information on pages 3-8 and 37-41 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 and individual nonmajor fund financial statements on pages 42 and 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Ja Farrell and Abbott PLLC*

Tom Bean, Texas  
April 18, 2019

## CITY OF OAK POINT, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

As management of the City of Oak Point, Texas (the "City"), we offer readers of the City of Oak Point's financial statements this narrative overview and analysis of the financial activities of the City of Oak Point, Texas for the year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements [beginning on page 9].

#### FINANCIAL HIGHLIGHTS

- Total net position for the City of Oak Point at the close of FY18 is \$15,820,120 [page 9]. Unrestricted net position at the close of FY18 is \$6,247,601 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,081,708 (15%) during fiscal year 2018.
- The City's governmental funds reported combined ending fund balances of \$9,300,231 [page 11]. The fund balances increased by \$3,118,339 (50%) [page 13]. \$5,466,392 [page 11] is unassigned and available for spending at the City's discretion. Most of the increase is attributable to \$1,710,000 of bond proceeds being recognized as an "other financing source".
- The General Fund's unassigned fund balance of \$2,259,459 [page 11] is equivalent to 68% ( $\$2,259,459 / \$3,327,441$ ) of total 2018 General Fund expenditures [page 13], compared to 104% in 2017.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and Statement of Activities [pages 9 and 10]. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a private-sector business.

Fund financial statements [starting on page 11] report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and the appropriations from the State.

The notes to the financial statements [page 17] provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

#### **Reporting the City as a Whole – Government-Wide Financial Statements**

##### **The Statement of Net Position and the Statement of Activities**

Government-wide financial statements provide an analysis of the City's overall financial condition and operation [pages 9 and 10]. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position [page 9] includes all the City's assets, deferred inflows of resources, deferred outflows of resources, and liabilities while the Statement of Activities [page 10] includes all the revenue and expenses generated by the City's operations during

the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

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

These two statements report the City's net position and changes in them. The City's net position provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, non-financial factors should also be considered, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has one kind of activities:

**Governmental Activities** – City services such as police and fire protection, court services, street maintenance, and City administration are reported here. City property taxes finance most of these activities.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements [pages 11-16] provide detailed information about each City fund. The City's two kinds of funds – governmental and fiduciary – use different accounting approaches.

**Governmental Funds** – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities, which are reported in the Statement of Net Position and the Statement of Activities and governmental funds in the reconciliation schedules [pages 12 and 14].

**Fiduciary Funds** - The City uses fiduciary funds to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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. Fiduciary funds are used to account for the City's public improvement Districts. [pages 15-16].

## City of Oak Point - Statement of Net Position

### Governmental

	Activities	
	FY18	FY17
Current and other assets	\$ 9,618,649	\$ 6,520,069
Capital assets	8,584,184	8,010,007
Total assets	18,202,833	14,530,076
Deferred outflows of resources	111,606	184,147
Long-term liabilities outstanding	1,887,717	236,379
Other liabilities	508,372	689,034
Total liabilities	2,396,089	925,413
Deferred inflows of resources	98,230	30,965
Net position:		
Net Investment in capital assets	6,781,212	7,878,000
Restricted for:		
Debt service	7,187	25,003
Street maintenance	182,913	182,161
Development	835,074	684,487
Other	1,766,133	60,497
Unrestricted	6,247,601	4,927,697
Total net position (FY17 restated)	\$ 15,820,120	\$ 13,757,845

## City of Oak Point - Statement of Activities

### Governmental

	Activities	
	FY18	FY17
Revenues:		
Program Revenues:		
Charges for services	\$ 1,919,965	\$ 1,648,863
Operating grants and contributions	199,500	189,100
Capital grants and contributions	936,306	2,587,830
General Revenues:		
Property taxes	2,130,966	1,960,775
Sales taxes	427,029	384,618
Franchise fees	250,616	224,351
Investment earnings	97,534	38,717
Other income and gains/losses	29,438	69,866
	5,991,354	7,104,120
Expenses:		
General government	1,034,942	868,568
Public safety	1,719,281	1,442,182
Public works/operations	796,354	663,932
Interest and fiscal charges	98,313	12,068
Parks	17,655	17,655
Non-Departmental	243,101	236,744
	3,909,646	3,241,149
Increase in net position before transfers	2,081,708	3,862,971
Transfers in (out)	-	-
Increase in net position	2,081,708	3,862,971
Net position - October 1	13,757,845	7,669,183
Cum. Effect - Change in acct principle	(19,433)	-
Prior period adjustment	-	2,225,691
Net position - September 30	\$ 15,820,120	\$ 13,757,845

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position totaled \$15,820,120 at the close of FY18. Net assets increased \$2,081,708 (15%) during fiscal year 2018.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$1,319,904 for governmental-type activities during 2018.

Forty-three percent (43%) (\$6,781,212/\$15,820,120)[page 9] of the City's net position is invested in capital assets; land, buildings, streets, vehicles, electronic equipment, and infrastructure, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

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

As the City completed the year 2018, its governmental funds, as presented in the balance sheet [page 11], reported a combined fund balance of \$9,300,231 [page 11] compared to \$6,181,892 [page 13] in FY17. This represents an increase of \$3,118,339 [page 13]. Approximately 59% (\$5,466,392 / \$9,300,231) of this total amount is the unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balances are restricted or committed as further explained in the notes to the financial statements which begin on page 17.

The General Fund is the chief operating fund of the City. At the end of the current period, the unassigned fund balance of the General Fund totaled \$2,259,459, while the total fund balance was \$3,371,965. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures [page 13]. Unassigned fund balance represents 68% (\$2,259,459/\$3,327,441) of total FY18 General Fund expenditures.

Revenues for the City's General Fund were \$4,679,214 [page 13], while total expenditures were \$3,327,441 [page 13]. The General Fund had a net decrease in fund balance of (\$873,227) due to a \$2,225,000 transfer out to the Capital Projects Fund.

### **Other Analysis of the City's Funds**

#### **Budget versus Actual for the General Fund:**

For the required supplemental information of the General Fund budget versus actual report shown on page 37, the statement reflects a positive budget variance of \$1,684,102. One contributing factor was receiving \$547,895 more in building permits and inspection fees than projected. Expenditures also had an overall positive budget variance of \$479,258. One contributing factor was that actual General Fund capital outlays were \$399,176 less than the budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment (net of depreciation) in capital assets for all activities as of September 30, 2018 is \$8,584,184, compared to \$8,010,007 at September 30, 2017. This is a net increase in capital assets of \$574,177 and is attributable to street capital contributions.

### **Long-term Debt**

At September 30, 2018, the City had total bonded debt and capital leases outstanding of \$1,726,321. The City issued \$1,710,000 of Series 2018 General Obligation Bonds to make street improvements. The City also paid off the Series 1998 General Obligation Bonds during the year. Principal payments on bonds and capital leases totaled \$115,686 and all payments were made when due.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City's elected and appointed officials consider many factors when preparing the fiscal year budget and setting the tax rate. One of those factors is the economy. Since approximately 54% of Oak Point's operating budget revenue is derived from property taxes, property values and the local economy play an extremely important role in the preparation of the annual budget.

As the City began to prepare its Fiscal Year 2018-2019 budget, the Denton County Appraisal District (DCAD) projected that the market condition would likely result in an increase of the 2018 Residential Appraisal Roll. Accordingly, the 2018 total net taxable values that were certified by the DCAD for Oak Point saw an increase over 2017 values. As a result, the City lowered its tax rate by \$0.02 which resulted in a \$0.52 per \$100 valuation.

Residential housing and thus, additional property tax revenues for the City, is positive. Two hundred and seventeen [217] single-family lots were completed in 2018 fiscal year. Two plats containing a total of 121 lots have been approved and infrastructure construction is expected to be completed in 2019. The City permitted three hundred eighty-two [382] preliminary plats. Two hundred and thirty-eight [238] of the preliminary plats are located within the city limits. The remaining one hundred and forty-four [144] preliminary plats are located within the City's extraterritorial jurisdiction (ETJ). A record number of new residential building permits were issued in fiscal year 2018. Seventy-seven [77] new residential permits inside city limits and two-hundred fifty-four [254] outside city limits were issued.

Within the City's ETJ, new residential projects totaling 812 single-family lots within three subdivisions have been platted. Because the homes will be located outside of the City limits, the homes will not pay property tax to the City of Oak Point. However, sales tax generated by utilities and home businesses will be paid to the Oak Point Municipal Development District and the homes will increase the number of "rooftops" in Oak Point's retail trade area. The City expects that most of the residential growth will occur at a steady rate in the ETJ. Additionally, revenues from building permits will be generated on the 812 lots due to development agreements.

As far as future commercial development that provides property and sales tax revenues, Oak Point has permitted a convenience store on the southwest corner of FM 720 and McCormick Road. Construction is expected to be completed by the end of FY 2019. As such, Oak Point does not anticipate any substantial increases in sales tax revenue within the next year. Traffic volumes are expected to increase after the last remaining section of FM 720 is completed in December of 2019. The completion of FM 720 will increase the potential for additional commercial and retail development and the resulting sales tax revenue in future years.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City of Oak Point, 100 Naylor Road, Oak Point, Texas 75068 or visit the City's website at [www.oakpointtexas.com](http://www.oakpointtexas.com).

**CITY OF OAK POINT, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and pooled investments	\$ 7,196,361
Restricted cash	1,696,159
Receivables - (net of allowances)	
Taxes	116,440
Fines and forfeitures	49,514
Other	110,038
Note	421,200
Wastewater	26,346
Prepays	3,311
Capital assets not being depreciated:	
Land	176,082
Construction in progress	15,802
Capital assets, net of accumulated depreciation:	
Parks	295,036
Buildings and improvements	749,985
Vehicles and equipment	349,628
Street infrastructure	6,996,931
<b>TOTAL ASSETS</b>	<b>18,202,833</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension balances	107,493
Deferred OPEB balances	4,113
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>111,606</b>
<b>LIABILITIES</b>	
Accounts payable	92,448
Accrued wages	78,982
Accrued interest payable	2,413
Unearned revenue	59,250
Net pension liability	243,773
OPEB liability	31,506
Non-current liabilities:	
Due within one year	76,321
Due in more than one year	1,811,396
<b>TOTAL LIABILITIES</b>	<b>2,396,089</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension balances	98,230
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>98,230</b>
<b>NET POSITION</b>	
Net invested in capital assets	6,781,212
Restricted for:	
Debt service	7,187
Street maintenance	182,913
Municipal and economic development	835,074
Other	1,766,133
Unrestricted	6,247,601
<b>TOTAL NET POSITION</b>	<b>\$ 15,820,120</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>Primary government:</b>						
<b>Governmental Activities:</b>						
Public safety	\$ 1,719,281	\$ 661,677	\$ -	\$ -	\$ (1,057,604)	\$ (1,057,604)
General government	1,034,942	1,258,288	-	-	223,346	223,346
Public works	796,354	-	-	936,306	139,952	139,952
Shared non-departmental	243,101	-	-	-	(243,101)	(243,101)
Interest and charges on long-term debt	98,313	-	-	-	(98,313)	(98,313)
Parks	17,655	-	199,500	-	181,845	181,845
<b>Total governmental activities</b>	<b>3,909,646</b>	<b>1,919,965</b>	<b>199,500</b>	<b>936,306</b>	<b>(853,875)</b>	<b>(853,875)</b>
<b>Total primary government:</b>	<b>\$ 3,909,646</b>	<b>\$ 1,919,965</b>	<b>\$ 199,500</b>	<b>\$ 936,306</b>	<b>(853,875)</b>	<b>(853,875)</b>
		General revenues:				
			Ad Valorem taxes		2,130,966	2,130,966
			Sales and use taxes		427,029	427,029
			Franchise taxes		250,616	250,616
			Other		29,438	29,438
			Unrestricted investment earnings		97,534	97,534
			Total general revenues		2,935,583	2,935,583
			Change in net position		2,081,708	2,081,708
			Net position - beginning		13,757,845	13,757,845
			Cumulative effect of change in accounting principle		(19,433)	(19,433)
			Net position - ending		\$ 15,820,120	\$ 15,820,120

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS  
BALANCE SHEET  
GOVERNMENTAL TYPE FUNDS  
SEPTEMBER 30, 2018**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,988,317	\$ 3,206,933	\$ 1,001,111	\$ 7,196,361
Restricted cash	-	1,696,159	-	1,696,159
Accounts receivable - Net				
Wastewater	26,346	-	-	26,346
Franchise taxes	53,395	-	-	53,395
Ad valorem taxes	37,277	-	2,869	40,146
Sales tax	36,295	-	39,999	76,294
Fines and forfeitures	49,514	-	-	49,514
Other	56,643	-	-	56,643
Prepays	3,311	-	-	3,311
Note receivable - Wastewater operations	421,200	-	-	421,200
Total assets	<u>3,672,298</u>	<u>4,903,092</u>	<u>1,043,979</u>	<u>9,619,369</u>
<b>LIABILITIES</b>				
Accounts payable	76,451	-	15,997	92,448
Accrued wages and other liabilities	78,982	-	-	78,982
Unearned revenue	59,250	-	-	59,250
Total liabilities	<u>214,683</u>	<u>-</u>	<u>15,997</u>	<u>230,680</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues				
Property taxes	36,137	-	2,808	38,945
Court fines	49,513	-	-	49,513
Total deferred inflows of resources	<u>85,650</u>	<u>-</u>	<u>2,808</u>	<u>88,458</u>
<b>FUND BALANCES</b>				
Non-spendable	424,511	-	-	424,511
Restricted for:				
Debt service	-	-	7,187	7,187
Street maintenance	-	-	182,913	182,913
Economic development	-	-	537,716	537,716
Municipal development	-	-	297,358	297,358
Other	69,974	1,696,159	-	1,766,133
Committed for:				
Vehicle replacement	618,021	-	-	618,021
Unassigned	2,259,459	3,206,933	-	5,466,392
Total fund balances	<u>3,371,965</u>	<u>4,903,092</u>	<u>1,025,174</u>	<u>9,300,231</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,672,298</u>	<u>\$ 4,903,092</u>	<u>\$ 1,043,979</u>	<u>\$ 9,619,369</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

**Total fund balances of governmental funds** \$ 9,300,231

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the period, the net effect of including the beginning balances of capital assets (net of accumulated depreciation) is to increase net position.	8,010,007
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. The long-term liability beginning balance is:	(238,512)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide Statement of Net Position. The net effect of removing the capital outlays and debt principal payments and adding capital contributions is to increase net position.	(387,421)
Net pension and total OPEB liabilities are not current financial uses; therefore, they are not reported in the governmental funds.	(275,278)
Deferred outflows/(inflows) related to pension and OPEB balances are not reported in the governmental funds. The net of these amounts is:	13,376
Depreciation expense on long-term assets is not recognized in the governmental funds. The effect of the current year's depreciation is to decrease net capital assets.	(709,367)
Delinquent property taxes and court revenue are not current financial resources; therefore, they are deferred in the governmental funds.	88,458
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to full accrual. This includes interest payable and compensated absences.	<u>18,626</u>
<b>Net position of governmental activities</b>	<u><u>\$ 15,820,120</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL TYPE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 2,023,320	\$ -	\$ 103,716	\$ 2,127,036
Sales and use	203,032	-	223,997	427,029
Franchise	250,616	-	-	250,616
Building permits and inspection fees	928,895	-	-	928,895
Joint interlocal services	304,959	-	-	304,959
Fire protection revenues	192,050	-	-	192,050
Other permits and fees	115,450	-	-	115,450
Court citations	122,892	-	-	122,892
Vehicle permits	191,436	-	-	191,436
Park use and dedication fees	199,500	-	-	199,500
Platting and zoning fees	22,507	-	-	22,507
Other income	29,438	-	-	29,438
Interest earned	95,119	1,159	1,256	97,534
Total revenues	<u>4,679,214</u>	<u>1,159</u>	<u>328,969</u>	<u>5,009,342</u>
<b>EXPENDITURES</b>				
Operating:				
Public safety	1,654,988	-	-	1,654,988
General government	961,133	-	31,403	992,536
Public works and parks	231,666	-	-	231,666
Shared non-departmental	243,101	-	-	243,101
Capital Outlays	236,553	63,116	41,255	340,924
Debt Service:				
Principal retirement	-	-	115,686	115,686
Interest expense	-	-	6,299	6,299
Paying agent fees	-	-	803	803
Total expenditures	<u>3,327,441</u>	<u>63,116</u>	<u>195,446</u>	<u>3,586,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,351,773</u>	<u>(61,957)</u>	<u>133,523</u>	<u>1,423,339</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	1,710,000	-	1,710,000
Bond premium proceeds	-	75,931	-	75,931
Debt issuance costs	-	(90,931)	-	(90,931)
Transfers in (out)	<u>(2,225,000)</u>	<u>2,225,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,225,000)</u>	<u>3,920,000</u>	<u>-</u>	<u>1,695,000</u>
Net change in fund balances	(873,227)	3,858,043	133,523	3,118,339
Fund balances beginning, October 1	<u>4,245,192</u>	<u>1,045,049</u>	<u>891,651</u>	<u>6,181,892</u>
Fund balances ending, September 30	<u>\$ 3,371,965</u>	<u>\$ 4,903,092</u>	<u>\$ 1,025,174</u>	<u>\$ 9,300,231</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**Net change in fund balances - total governmental funds** \$ 3,118,339

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

Current year capital outlays and long-term debt payments are expenditures in the fund financial statements, but they are shown as increase in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments and adding capital contributions is to increase net position. 1,398,510

Current year long-term debt issuances are other financing sources in the fund financial statements, but they are shown as additions in long-term debt in the government-wide financial statements. The net effect is to decrease net position. (1,785,931)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current year financial resources. The net effect of the current year's depreciation is to decrease net position. (709,367)

Accrued compensated absences are not recognized on the governmental-type funds, but are recognized in the government-wide financial statements. The effect of the current year's increase to compensated absences is to decrease net position. 18,907

Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include changes in property tax receivables, court receivables, interest payable, and pension expense. The net effect of these reclassifications and recognitions is to decrease net position. 41,250

**Change in net position of governmental activities** \$ 2,081,708

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**FOR OAK POINT PUBLIC IMPROVEMENT DISTRICTS (P.I.D.'s)**  
**AT SEPTEMBER 30, 2018**

	Wildridge P.I.D.	Shahan Prairie P.I.D.	Prairie Oaks P.I.D.	Total Fiduciary Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 201,257	\$ 106,260	\$ -	\$ 307,517
<b>LIABILITIES</b>				
Accounts payable	-	-	5,824	5,824
<b>NET POSITION</b>				
Held in trust for restricted purposes	\$ 201,257	\$ 106,260	\$ (5,824)	\$ 301,693

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR OAK POINT PUBLIC IMPROVEMENT DISTRICTS (P.I.D.'s)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Wildridge P.I.D.	Shahan Prairie P.I.D.	Prairie Oaks P.I.D.	Total Fiduciary Funds
<b>ADDITIONS</b>				
Debt Service Contributions	\$ 668,443	\$ 108,839	\$ -	\$ 777,282
Total additions	<u>668,443</u>	<u>108,839</u>	<u>-</u>	<u>777,282</u>
<b>DEDUCTIONS</b>				
Debt Service	475,998	-	-	475,998
Administrative expenses	48,193	2,579	5,824	56,596
Total deductions	<u>524,191</u>	<u>2,579</u>	<u>5,824</u>	<u>532,594</u>
Change in net position	<u>144,252</u>	<u>106,260</u>	<u>(5,824)</u>	<u>244,688</u>
Net position-beginning, October 1	<u>57,005</u>	<u>-</u>	<u>-</u>	<u>57,005</u>
Net position-ending, September 30	<u><u>\$ 201,257</u></u>	<u><u>\$ 106,260</u></u>	<u><u>\$ (5,824)</u></u>	<u><u>\$ 301,693</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Oak Point, Texas (the "City") is a municipality governed by an elected mayor and a five-member council. The City provides the following services: public safety (police, fire and first response EMS services), community development, economic development, public works, municipal court, and general administration.

The financial statements of the City of Oak Point are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

The following is a summary of the more significant accounting policies:

1. Financial Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. 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 Oak Point Economic Development Corporation and Municipal Development District, although legally separate, are considered part of the reporting entity. Component units, although legally separate entities, are, in substance, part of the City's operations. The City's two component units are presented as follows:

**Blended Component Units**

Economic Development Corporation

The Economic Development Corporation (EDC) is funded by a 4B sales tax approved by the City Council. The EDC is governed by a board that includes members of the City Council. The EDC is presented as a non-major, special revenue fund for the City.

Municipal Development District

In May 2011, voters approved the creation of a Municipal Development District (MDD) and authorized an additional quarter cent sales and use tax for the purposes of developing and financing development projects. The MDD is governed by a board that includes members of the City Council. The MDD is presented as a non-major, special revenue fund for the City.

Blended methodology was used to present the EDC and MDD in the financial statements of the City. This methodology was selected after evaluation of all the circumstances and available standards. It should be noted that when the blended method is used, transactions of the component unit are presented as if they were executed directly by the primary government.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and Fund Financial Statements

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes or other items not included among functional revenues are reported as general revenues.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-wide financial statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*Governmental fund financial statements*

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.

Property taxes, sales taxes, franchise taxes, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following major governmental funds:

General Fund – primary operating fund of the City. It is used to account for all financial resources of the general government, except amounts required to be accounted for in another fund.

Capital Projects Fund - accounts for proceeds from the sale of bonds to be used for authorized acquisition, construction, or renovation projects, as well as proceeds from grants, donations and fees restricted for capital projects.

The City also reports the following non-major governmental funds:

Debt Service Fund - accounts for the resources accumulated and payments made for all principal and interest on long-term, governmental-type activity debt of the City.

Economic Development Fund – The EDC is a special revenue fund that accounts for the accumulation of State of Texas 4B sales tax revenues and related economic development expenditures.

Municipal Development District Fund – The MDD is a special revenue fund that accounts for the accumulation of State of Texas MDD sales tax revenues and related municipal development expenditures.

Street Maintenance Fund – is a special revenue fund that accounts for the restricted resources (sales taxes) accumulated and expenditures made for street maintenance in the City.

*Fiduciary Funds Financial Statements*

The City uses fiduciary funds to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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. Fiduciary funds are used to account for the City's public improvement districts (PID's). The Wildridge PID, Shahan Prairie PID, and the Prairie Oaks PID are presented in these financial statements.

4. Deposits and Investments

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.

State statues authorize the City to invest in obligations of U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State of Texas Investment Pools.

5. Receivables and Payables

Activity between funds that is representative of lending arrangements outstanding at year-end is referred to as "amounts due to" and "amounts due from" other funds appropriately. For the Statement of Net Position, receivables are shown net of an allowance for uncollectible accounts.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of the levy on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available.

Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

For fiscal year 2018, the adjusted tax levy was \$1,947,208. The tax rate to finance general governmental services was \$0.513831 per \$100 and the tax rate to finance debt service requirements was \$0.026169 per \$100, for a total tax rate of \$0.54 per \$100.

7. Bad Debts

The City uses the allowance method of recording court fines and forfeiture bad debts. The City takes into consideration historical collection rates and other factors to estimate net realizable receivables. No allowance is provided for uncollectible real property taxes, since all real property taxes is expected to be ultimately collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

8. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid in the government-wide fund financial statements. These items consist primarily of prepaid expenses.

9. Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets are recorded at historical cost or estimated historical cost if purchased, donated, or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives.

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimated useful lives of major categories of property are as follows:

Category	Estimated Life
Buildings	30-40 years
Street infrastructure	15 years
Machinery and equipment	7-10 years
Vehicles	5-7 years

**10. Compensated Absences**

It is the City’s policy to permit employees to accumulate certain earned but unused vacation and sick pay benefits. When an employee separates from service with the City, the employee is entitled to receive earned but unused vacation pay and up to 40 hours of earned but unused sick pay, provided the employee complies with the City’s non-disciplinary separation policy. Maximum unused vacation hours that may be paid out are: 180 hours for non-exempt employees, 240 hours for public safety employees, and 270 hours for exempt employees. All such vacation and sick pay is accrued when incurred in the government-wide financial statements.

**11. Fund Balances for Governmental-Type funds**

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes in the fund financial statements for governmental type funds. It does not apply for the government-wide financial statements or proprietary type funds.

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable - such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (the City’s highest level of decision-making authority),

Assigned - fund balance classifications are intended to be used by the government for specific purposes as assigned by the City Manager, but do not meet the criteria to be classified as restricted or committed, and

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Unassigned - fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications, and other funds that have total negative fund balances.

Minimum General Fund Unassigned Fund Balance – It is the goal of the City to maintain a minimum unassigned fund balance equal to 25% of annual expenditures. If this balance is reduced down to only 15% of annual expenditures, the City will implement a five-year plan with corrective actions to restore the unassigned balance to the desired 25% minimum.

12. Estimates

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

13. Net position

Net position represents the sum of assets and deferred outflows of resources less the sum of liabilities and deferred inflows of resources. Investments in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

14. Budgets and Budgetary Accounting

Prior to September 1, the City Manager submits to the City Council a proposed budget for the ensuing fiscal year. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. Upon adoption the budget is filed with the City Secretary and the County Clerk of Denton County.

The City Manager is authorized to transfer budgeted amounts between departments with any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Expenditures should not exceed appropriations at the department level, the classification level as reported in the combined financial statements. Unused appropriations lapse at the end of each fiscal year. Budgets for the General Fund and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget was amended during the year by the City Council.

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

15. Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expenses, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE B – DEPOSITS AND INVESTMENTS**

Total cash, cash equivalents, restricted cash, and pooled investments for the primary government in the amount of \$8,892,520 on the Statement of Net Position as of September 30, 2018 is comprised of \$600 of cash on hand, plus \$4,432,859 of funds deposited at financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC), and \$4,459,061 deposited with the Texas Local Government Investment Pool (TexPool). City deposits are required to be fully insured by the FDIC or as needed, balances exceeding FDIC coverage be fully collateralized by pledged securities held by a third-party custodian. FDIC insured \$500,000 of City deposits at September 30, 2018 and pledged securities covered the remaining \$3,932,859 of non-TexPool balances.

The City's TexPool investments at September 30, 2018 are as follows:

	Carrying Amount & Fair Value
<i>Public fund investment pools</i>	
TexPool General Fund	\$ 4,453,254
TexPool Debt Service Fund	5,807
<i>Total public funds investment pools</i>	\$ 4,459,061

The Texas State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designations 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. Standard and Poor's rated TexPool at AAAM at September 30, 2018.

To maintain the rating, weekly portfolio information must be submitted to Standard and Poor's and the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE B – DEPOSITS AND INVESTMENTS (continued)**

*Custodial credit risk*

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires 103% collateralization of certificates of deposit or demand deposits, to be held by an independent third party. The safekeeping bank may not be within the same holding company as the banks from which the securities are pledged. City deposits over and above amounts insured by the Federal Deposit Insurance Corporation (FDIC) are collateralized by securities held by the bank’s agent.

*Interest rate risk*

Through its investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of investments within its investment portfolio to a maturity period no greater than two years.

*Credit risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to the City’s investment policy, to mitigate credit risk, funds shall be invested in only principal protecting investments in local government investment pools or certificates of deposits.

*Concentration of credit risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City investment policy requires investment funds to be fully collateralized.

**NOTE C – RECEIVABLES AND DEFERRALS**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current year. Unearned revenue is also recorded for prepaid fire and/or police protection provided by the City. Deferred inflows of resources reported in the governmental funds relates to delinquent ad valorem taxes, and court citations (fines and forfeitures). Government-wide receivables as of September 30, 2018 are as follows:

	General Fund	Debt Service Fund	Street Maintenance Fund	Economic Development Corporation	Municipal Development District
Receivables:					
Franchise taxes	\$ 53,395	\$ -	\$ -	\$ -	\$ -
Ad valorem taxes	37,277	2,869	-	-	-
Sales taxes	36,295	-	9,073	18,147	12,779
Fines and forfeitures - court	346,028	-	-	-	-
Intergovernmental and other	56,643	-	-	-	-
Wastewater	26,346	-	-	-	-
Gross receivables	555,984	2,869	9,073	18,147	12,779
Less: Uncollectible allowance	(296,514)	-	-	-	-
Net total receivables	<u>\$ 259,470</u>	<u>\$ 2,869</u>	<u>\$ 9,073</u>	<u>\$ 18,147</u>	<u>\$ 12,779</u>

The City of Oak Point sold their wastewater plant in fiscal year 2015 for future connection proceeds. The sale of these operations resulted in a long term note receivable, for which payments will be received for each new sewer connection fee. The balance of this note at September 30, 2018 is \$421,200.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE D – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2018:

Governmental Activities Capital Assets:

	October 1, 2017	Additions	Reclasses & Deletions	September 30, 2018
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 177,081	\$ -	\$ (999)	\$ 176,082
Construction in progress	1,313,597	15,802	(1,313,597)	15,802
Totals, capital assets not being depreciated	<u>1,490,678</u>	<u>15,802</u>	<u>(1,314,596)</u>	<u>191,884</u>
Capital assets, being depreciated				
Parks	354,834	-	-	354,834
Buildings and improvements	995,652	7,627	-	1,003,279
Vehicles and equipment	1,366,085	219,717	-	1,585,802
Street infrastructure	7,548,964	1,040,677	1,313,597	9,903,238
Totals, capital assets being depreciated	<u>10,265,535</u>	<u>1,268,021</u>	<u>1,313,597</u>	<u>12,847,153</u>
Less: accumulated depreciation for				
Parks	(42,143)	(17,655)	-	(59,798)
Buildings and improvements	(219,498)	(33,796)	-	(253,294)
Vehicles and equipment	(1,120,810)	(115,364)	-	(1,236,174)
Street infrastructure	(2,363,755)	(542,552)	-	(2,906,307)
Total accumulated depreciation	<u>(3,746,206)</u>	<u>(709,367)</u>	<u>-</u>	<u>(4,455,573)</u>
Net total capital assets being depreciated	<u>6,519,329</u>	<u>558,654</u>	<u>1,313,597</u>	<u>8,391,580</u>
<b>Governmental capital assets, net</b>	<u>\$ 8,010,007</u>	<u>\$ 574,456</u>	<u>\$ (999)</u>	<u>\$ 8,583,464</u>

Depreciation for general fixed assets is included as an expense for governmental activities on the Statement of Activities. Depreciation was allocated to each governmental function of the primary government for the year ended September 30, 2018 as follows:

Public Works	\$ 564,098
General Government	51,758
Public Safety	75,856
Parks	17,655
Total	<u>\$ 709,367</u>

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE E – CHANGES IN LONG-TERM LIABILITIES**

Long-term debt of the City consists of a general obligation bond series, capital leases, and compensated absences. All long-term debt represents transactions in the City’s governmental activities. The retirement of accrued compensated absences is provided by financial resources of the General Fund.

The following is a summary of the changes in the City’s long-term debt for the year ended September 30, 2018:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
<b>Bonded Indebtedness:</b>						
2018 General Obligation	3% - 5%	\$ -	\$ 1,710,000	\$ -	\$ 1,710,000	\$ 60,000
1998 General Obligation	4.5% - 6%	100,000	-	100,000	-	-
<b>Total Bonded Indebtedness:</b>		<u>\$ 100,000</u>	<u>\$ 1,710,000</u>	<u>\$ 100,000</u>	<u>\$ 1,710,000</u>	<u>\$ 60,000</u>
<b>Bond Premiums:</b>						
2018 General Obligation		-	75,931	-	75,931	-
<b>Capital Leases:</b>						
Pumper/tanker truck	4%	32,007	-	15,686	16,321	16,321
Compensated Absences		104,372	-	18,907	85,465	-
<b>Total Long-Term Debt</b>		<u>\$ 236,379</u>	<u>\$ 1,785,931</u>	<u>\$ 134,593</u>	<u>\$ 1,887,717</u>	<u>\$ 76,321</u>

**NOTE F – GENERAL OBLIGATION BONDS**

In 1998 the City issued a general obligation bond series in the original principal amount of \$1,250,000 with the proceeds utilized for street improvements. The general obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds require the City to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal maturing during the fiscal year. The City is in compliance with this requirement. The bonds carry a stated interest rate varying between 4.5% and 6.0%. The outstanding principal balance at September 30, 2018 was \$0 as final payments were made in 2018.

In 2018 the City issued a twenty-year general obligation bond series in the original principal amount of \$1,710,000 with the proceeds utilized for street improvements. The general obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds require the City to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal maturing during the fiscal year. The bonds carry a stated interest rate varying between 3% and 5%. The outstanding principal balance at September 30, 2018 was \$1,710,000. The City’s obligation under the 2018 series bonds will expire with the retirement of the debt in fiscal year ending 2038.

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE F – GENERAL OBLIGATION BONDS (continued)**

Presented below is a summary of general obligation bond requirements to maturity as of September 30, 2018:

Year Ending September 30	Principal	Interest	Total
2019	\$ 60,000	\$ 59,121	\$ 119,121
2020	60,000	62,444	122,444
2021	60,000	59,444	119,444
2022	65,000	56,319	121,319
2023	65,000	53,069	118,069
2024-2028	385,000	216,970	601,970
3029-2033	465,000	135,616	600,616
2034-2038	550,000	50,489	600,489
Totals	<u>\$ 1,710,000</u>	<u>\$ 693,472</u>	<u>\$ 2,403,472</u>

**NOTE G –CAPITAL LEASE PAYABLE**

On April 19, 2004, the City entered into a fifteen year lease-purchase agreement with Government Capital Corporation for the purchase of an 1800 gallon tanker truck. The original principal balance was \$190,000 and the lease carried an interest rate of 4.06%. Interest expense for the year was \$1,299 and the remaining principal balance of the lease at September 30, 2018 is \$16,321.

All debt and related assets are for governmental-type activities. The recorded value of this leased asset is equal to the original principal balance.

Presented below are the future minimum lease payments at September 30, 2018:

Year Ending September 30	Principal	Interest	Total
2019	<u>\$ 16,321</u>	<u>\$ 663</u>	<u>\$ 16,984</u>
Totals	<u>\$ 16,321</u>	<u>\$ 663</u>	<u>\$ 16,984</u>

**NOTE H – RISK MANAGEMENT**

Liability and property insurance coverage is provided by the Texas Municipal League (TML) Intergovernmental Risk Pool. The City retains, as a risk only, the deductible amounts for each declaration of coverage. There were no reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage. Insurance coverage of the City is divided into the following types: property, crime, general liability, public official’s liability, auto liability, auto physical damage, auto catastrophic, inland marine (mobile equipment), law enforcement liability, and boiler and machinery.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE I – FUND BALANCES**

Governmental-Type Fund Balances

Committed

The City Council commits funds for future replacement of City vehicles. This committed balance was \$618,021 at fiscal year-end 2018.

Restricted Fund Balances

Fund balances for the Street Maintenance, Economic Development Corporation, Municipal Development District, and Debt Service funds are restricted for the intended purpose of these funds.

Other restricted fund balances within the General Fund and Capital Projects Fund are as follows:

Bond proceeds for capital projects	\$ 1,696,159
Municipal court building security	12,105
Municipal court technology	12,317
Child safety programs	15,539
Public Education Government Fees	30,013
	<hr/>
	\$ 1,766,133

**NOTE J – PENSION INFORMATION**

**Plan Description**

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

**Benefits Provided**

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

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

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE J – PENSION INFORMATION (continued)**

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:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years Required for vesting	5 years of service
Service retirement eligibility	Minimum age 60 with 5 years of service Any age with 20 years of service
Updated service credits	0%
Annuity increase (to retirees)	0% 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	5
Inactive employees entitled to but not yet receiving benefits	29
<u>Active employees</u>	<u>26</u>
	60

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Oak Point were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Oak Point were 7.78% and 7.71% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$126,781, and 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 Net Pension Liability was determined by an actuarial valuation as of that date.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE J – PENSION INFORMATION (continued)**

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE J – PENSION INFORMATION (continued)**

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

Asset Class	Target Allocation	Long-Term expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total:	100.0%	

**Discount Rate**

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

**Changes in the Net Pension Liability:**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2016	\$ 2,189,088	\$ 1,797,612	\$ 391,476
Changes for the year:			-
Service cost	193,202		193,202
Interest	153,945		153,945
Change of benefit terms	-		-
Difference between expected and actual experience	(25,916)		(25,916)
Changes of assumptions	-		-
Contributions - employer	-	116,340	(116,340)
Contributions - employee	-	104,676	(104,676)
Net investment income	-	249,275	(249,275)
Benefit payments, incl. refunds of employee contributions	(10,050)	(10,050)	-
Administrative expense	-	(1,291)	1,291
Other changes	-	(66)	66
Net changes	\$ 311,181	\$ 458,884	\$ (147,703)
Balance at 12/31/2017	\$ 2,500,269	\$ 2,256,496	\$ 243,773

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE J – PENSION INFORMATION (continued)**

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

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>		
<b>1% Decrease 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
\$663,286	\$243,773	(\$96,396)

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$121,744.

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

	<b>Deferred (Inflows) / Outflows in Future Expense</b>
Differences between expected and actual economic experience	\$ (38,024)
Changes in actuarial assumptions	\$ 15,962
Difference between projected and actual investment earnings	\$ (60,206)
Contributions subsequent to the measurement date	\$ 91,531
Total	\$ 9,263

\$91,531 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE J – PENSION INFORMATION (continued)**

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$ (935)
2020	(18,640)
2021	(31,161)
2022	(30,581)
2023	(951)
<u>Thereafter</u>	<u>-</u>
Total	\$ (82,268)

**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)**

**Plan Description**

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

**Benefits Provided**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. 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	2
Inactive employees entitled to but not yet receiving benefits	5
Active employees	26
Total	33

**CITY OF OAK POINT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)**

**Contributions**

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

Contribution rates to the SDBF for the City were 0.12% and 0.11% for calendar years 2017 and 2018, respectively. The City's contributions to the SDBF for the year ended September 30, 2018 were \$1,850, and were equal to the required contributions.

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5%, including inflation
Discount rate	3.31%
Retiree's share of benefit-related costs	0.00%

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% 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.

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)**

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.31% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**Changes in Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2016	\$ 24,363
Changes for the year:	
Service cost	2,991
Interest on Total OPEB Liability	977
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	3,175
Benefit payments	-
Administrative expense	-
Other changes	-
Net changes	\$ 7,143
Balance at 12/31/2017	\$ 31,506

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	Current	
1% Decrease	Discount Rate	1% Increase
2.31%	3.31%	4.31%
\$39,742	\$ 31,506	\$25,252

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

For the year ended September 30, 2018, the City recognized pension expense of \$4,336.

**CITY OF OAK POINT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)**

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

<b>Deferred Outflows/Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 2,807	\$ -
Contributions made subsequent to measurement date	1,306	-
	<b>\$ 4,113</b>	<b>\$ -</b>

The \$1,306 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2019. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$ 368
2020	368
2021	368
2022	368
2023	368
Thereafter	967
Total	<b>\$ 2,807</b>

**NOTE L – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

As a result of the implementation of GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, an adjustment has been made to record the City’s total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities has been decreased by \$19,433.

**NOTE M – SUBSEQUENT EVENTS**

The date of the auditor’s report on page one represents the date the financial statements were issued and available for use. There are no subsequent events to disclose for the City as of this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF OAK POINT, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 1,970,727	\$ 1,970,727	\$ 2,023,320	\$ 52,593
Sales and use	163,129	163,129	203,032	39,903
Franchise	196,875	196,875	250,616	53,741
Building permits and inspection fees	381,000	381,000	928,895	547,895
Joint interlocal services	237,000	304,959	304,959	-
Fire protection revenues	154,000	154,000	192,050	38,050
Other permits and fees	90,205	90,205	115,450	25,245
Court citations	71,100	71,100	122,892	51,792
Vehicle permits	55,800	55,800	191,436	135,636
Park use and dedication fees	52,500	52,500	199,500	147,000
Platting and zoning fees	5,625	5,625	22,507	16,882
Other income	13,450	13,450	29,438	15,988
Interest earned	15,000	15,000	95,119	80,119
Total revenues	<u>3,406,411</u>	<u>3,474,370</u>	<u>4,679,214</u>	<u>1,204,844</u>
<b>EXPENDITURES</b>				
Operating:				
Public safety	1,600,485	1,653,070	1,654,988	(1,918)
General government	783,482	998,982	961,133	37,849
Public works and parks	255,371	255,371	231,666	23,705
Shared Non-Departmental	248,847	263,547	243,101	20,446
Capital outlays	541,150	635,729	236,553	399,176
Total expenditures	<u>3,429,335</u>	<u>3,806,699</u>	<u>3,327,441</u>	<u>479,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,924)</u>	<u>(332,329)</u>	<u>1,351,773</u>	<u>1,684,102</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out) to other funds	(225,000)	(2,225,000)	(2,225,000)	-
Net change in fund balances	<u>(247,924)</u>	<u>(2,557,329)</u>	<u>(873,227)</u>	<u>\$ 1,684,102</u>
Fund balances beginning, October 1	<u>4,245,192</u>	<u>4,245,192</u>	<u>4,245,192</u>	
Fund balances ending, September 30	<u>\$ 3,997,268</u>	<u>\$ 1,687,863</u>	<u>\$ 3,371,965</u>	

**CITY OF OAK POINT, TEXAS**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN**  
**LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 126,781	\$ 108,883	\$ 77,565	\$ 72,563
Contributions in relation to the actuarially determined	<u>\$ 126,781</u>	<u>\$ 108,883</u>	<u>\$ 77,565</u>	<u>\$ 72,563</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,640,254	\$1,194,348	\$ 1,099,400	\$ 1,017,416
Contributions as a percentage of covered payroll	7.73%	9.12%	7.06%	7.13%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:** There were no benefit changes during the year

**NOTES TO SCHEDULE:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not reported in accordance with the standards of GASB 68 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented have been shown and ultimately ten years will be presented .

**CITY OF OAK POINT, TEXAS**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN**  
**LAST TEN MEASUREMENT YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>				
Service Cost	\$ 193,202	\$ 152,040	\$ 138,437	\$ 115,654
Interest (on the Total Pension Liability)	153,945	136,625	118,286	107,135
Changes of benefit terms	-	-	-	77,322
Difference between expected and actual experience	(25,916)	(30,753)	20,968	(53,237)
Change of assumptions	-	-	78,968	-
Benefit payments, including refunds of employee contributions	(10,050)	(33,770)	(24,589)	(18,685)
<b>Net Change in Total Pension Liability</b>	<u>311,181</u>	<u>224,142</u>	<u>332,070</u>	<u>228,189</u>
<b>Total Pension Liability - Beginning</b>	2,189,088	1,964,946	1,632,876	1,404,687
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 2,500,269</u>	<u>\$ 2,189,088</u>	<u>\$ 1,964,946</u>	<u>\$ 1,632,876</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	116,340	80,021	81,180	49,871
Contributions - Employee	104,676	83,604	79,366	70,241
Net Investment Income	249,275	105,786	2,106	71,777
Benefit payments, including refunds of employee contributions	(10,050)	(33,770)	(24,589)	(18,685)
Administrative Expense	(1,291)	(1,193)	(1,282)	(749)
Other	(65)	(64)	(64)	(62)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>458,885</u>	<u>234,384</u>	<u>136,717</u>	<u>172,393</u>
<b>Plan Fiduciary Net Position - Beginning</b>	1,797,612	1,563,228	1,426,511	1,254,118
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,256,497</u>	<u>\$ 1,797,612</u>	<u>\$ 1,563,228</u>	<u>\$ 1,426,511</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 243,772	\$ 391,476	\$ 401,718	\$ 206,365
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	90.25%	82.12%	79.56%	87.36%
<b>Covered Payroll</b>	1,495,369	1,194,348	1,133,799	1,003,445
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	16.30%	32.78%	35.43%	20.57%

**Notes to Schedule:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not reported in accordance with the standards of GASB 68 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented have been shown and ultimately ten years will be presented.

**CITY OF OAK POINT, TEXAS**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN**  
**LAST TEN FISCAL YEARS**

	2018
Actuarially Determined Contribution	\$ 1,850
Contributions in relation to the actuarially determined contribution	<u>1,850</u>
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 1,640,254
Contributions as a percentage of covered payroll	0.11%

**Valuation Timing:** Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS**

This schedule is presented to illustrate the requirement to show for 10 years. However, recalculations of prior years are not reported in accordance with the standards of GASB 74/75 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented will be shown and ultimately ten years will be presented.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.31%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

**Mortality:**

Service Retirees RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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:**

Notes There were no benefit changes during the year.

**CITY OF OAK POINT, TEXAS**  
**SCHEDULE OF CHANGES IN**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN**  
**LAST TEN MEASUREMENT YEARS**

	<u>2017</u>
<b>Total OPEB liability</b>	
Service Cost	\$ 2,991
Interest (on the Total OPEB Liability)	977
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	3,175
Benefit payments	-
<b>Net Change in Total OPEB Liability</b>	<u>7,143</u>
<b>Total OPEB Liability - Beginning</b>	<u>24,363</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 31,506</u></u>
<b>Covered Payroll</b>	\$ 1,495,369
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 2.11%

**NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY**

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not reported in accordance with the standards of GASB 74/75 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented have been shown and ultimately ten years will be presented.

**NON-MAJOR GOVERNMENTAL-TYPE FUNDS -  
COMBINING FINANCIAL STATEMENTS**

**CITY OF OAK POINT, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL TYPE FUNDS**  
**SEPTEMBER 30, 2018**

	Debt Service Fund	Street Maintenance Fund	Economic Development Fund	Municipal Development District	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,126	\$ 173,840	\$ 535,566	\$ 284,579	\$ 1,001,111
Accounts receivable - Net					
Ad valorem taxes	2,869	-	-	-	2,869
Sales tax	-	9,073	18,147	12,779	39,999
Total assets	<u>9,995</u>	<u>182,913</u>	<u>553,713</u>	<u>297,358</u>	<u>1,043,979</u>
<b>LIABILITIES</b>					
Accounts payable	-	-	15,997	-	15,997
Total liabilities	<u>-</u>	<u>-</u>	<u>15,997</u>	<u>-</u>	<u>15,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - property taxes	2,808	-	-	-	2,808
Total deferred inflows of resources	<u>2,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,808</u>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	7,187	-	-	-	7,187
Street maintenance	-	182,913	-	-	182,913
Economic development	-	-	537,716	-	537,716
Municipal development	-	-	-	297,358	297,358
Total fund balances	<u>7,187</u>	<u>182,913</u>	<u>537,716</u>	<u>297,358</u>	<u>1,025,174</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,995</u>	<u>\$ 182,913</u>	<u>\$ 553,713</u>	<u>\$ 297,358</u>	<u>\$ 1,043,979</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF OAK POINT, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL TYPE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Debt Service Fund	Street Maintenance Fund	Economic Development Fund	Municipal Development District	Total Other Governmental Funds
<b>REVENUES</b>					
Taxes					
Ad valorem	\$ 103,716	\$ -	\$ -	\$ -	\$ 103,716
Sales and use	-	50,758	101,516	71,723	223,997
Interest earned	1,256	-	-	-	1,256
Total revenues	<u>104,972</u>	<u>50,758</u>	<u>101,516</u>	<u>71,723</u>	<u>328,969</u>
<b>EXPENDITURES</b>					
Operating:					
General government	-	8,751	22,652	-	31,403
Capital Outlays:	-	41,255	-	-	41,255
Debt Service:					
Principal retirement	115,686	-	-	-	115,686
Interest expense	6,299	-	-	-	6,299
Paying agent fees	803	-	-	-	803
Total expenditures	<u>122,788</u>	<u>50,006</u>	<u>22,652</u>	<u>-</u>	<u>195,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,816)</u>	<u>752</u>	<u>78,864</u>	<u>71,723</u>	<u>133,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(17,816)</u>	<u>752</u>	<u>78,864</u>	<u>71,723</u>	<u>133,523</u>
Fund balances beginning, October 1	<u>25,003</u>	<u>182,161</u>	<u>458,852</u>	<u>225,635</u>	<u>891,651</u>
Fund balances ending, September 30	<u><u>\$ 7,187</u></u>	<u><u>\$ 182,913</u></u>	<u><u>\$ 537,716</u></u>	<u><u>\$ 297,358</u></u>	<u><u>\$ 1,025,174</u></u>

The notes to the financial statements are an integral part of this statement.