CITY OF CUMBY, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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217 N. Jefferson Ave., Suite 2
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SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Cumby, TX

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumby, TX, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Cumby, TX'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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumby, TX, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5–14, analysis and budgetary comparison information on pages 45–46, Schedule of Contributions on page 47, Schedule of Changes in the Net Pension Liability on page 48, Schedule of Pension

Expense on page 49, Schedule of Changes in OPEB Liability on page 49, Schedule of OPEB Contributions on page 51, and Schedule of OPEB Expenses on page 52 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 14, 2019, on my consideration of the City of Cumby, TX's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cumby, TX's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cumby, TX's internal control over financial reporting and compliance.

Christopher A. Turner, PLLC CPA

January 14, 2019

CHRISTOPHER A TURNER PLLC CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Cumby, TX

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumby, TX, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Cumby, TX's basic financial statements, and have issued my report thereon dated January 14, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Cumby, TX's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cumby, TX's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Cumby, TX's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cumby, TX's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing*

Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christopher A. Turner, PLLC CPA

January 14, 2019

Management Discussion and Analysis

The Management's Discussion and Analysis (MD&A) for the City of Cumby, Texas (City) is designed to:

1. Assist the reader in focusing on significant financial issues;
2. Provide an overview of the City's financial activities;
3. Identify changes in the City's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations;
4. Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
5. Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the City's financial activities. The City's basic financial statements consist of the following components:

1. Government-Wide Financial Statements;
2. Fund Financial Statements;
3. Notes to the Financial Statements.
4. Required Supplementary Information, which includes this Management Discussion and Analysis, Budget Comparison Statement of Revenues, Expenses, and Changes in Fund assets for both the General Fund and Proprietary Fund, Schedule of Contributions, Schedule of Changes in the Net Pension Liability, Schedule of Pension Expense, Schedule of Changes in OPEB Liability, Schedule of OPEB Contributions, and Schedule of OPEB Expense.

A general description of the components of the basic financial statements follows.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to present the financial operations of the City as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. If the City determines that presentation of a component unit (which are other governmental units for which the City can exercise significant influence or for which the Primary Government Financial Statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote.

The focus on the government-wide (entity-wide) Statement of Net Position and Statement of Activities is to give the reader a broad overview of the City's financial position and results of operations.

a. The Statement of Net Position presents information on the City's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increase or decreases in net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the City is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net position, the reader should refer to Note 1- Significant Accounting Policies for an explanation of components of net assets.

b. The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function (city, council, police department, other current operating expenses, and water, sewer, and garbage services) reduce by the Program Revenues (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The City uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows in and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The City's governmental funds include the General Fund for accounting for the City's basic services.

The Proprietary Fund accounts for water, sewer, and sanitation services for the City of Cumby, TX. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the City's more immediate decisions on the current use of financial resources. We describe the differences between the government-wide financial statements (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Notes to the Financial Statements

The Notes to the Financial Statements present the changes in presentation and reporting required under the GASB 34 standard and under GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions. When reviewing this MD&A, the reader should also refer to and review the Notes to the Financial Statements, as well as the Government-Wide and Fund Financial Statements.

City Highlights

At September 30, 2018, the City of Cumby, Texas maintained an Unrestricted Net Assets balance of ($122,751). Unrestricted Net Assets represents the net balance accumulated by the City above the amount of Net Assets Invested in Capital Assets, Net of Related Debt and the amount of Restricted Net Assets (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).

(a) At year-end, the total of Net Assets Invested in Capital, Net of Related Debt (after subtracting out debt owed on capital assets) was $1,223,054. The total of Net Assets Restricted was $42,946.
(b) For governmental activities (including the City's General Fund), the City had no long-term debt outstanding at September 30, 2018. For business-type activities (consisting of the City's Utility Fund), the City had long-term debt outstanding of $580,148 at September 30, 2018 of which $36,739 is due and payable within one year.
(c) For governmental activities noncurrent liabilities consisted of $6,032 for compensated absences and $28,568 in pension and OPEB liabilities. For business-type activities, the City had $3,779 for compensated absences and $11,669 in pension and OPEB liabilities.
(d) The most significant continuing revenue sources for governmental activities of the City for the year ended September 30, 2018 consisted of $458,882 in charges for services related to its police department for citations and related fees, $87,305 of property taxes and related revenues, $131,125 in sales tax revenues, and $3,513 in miscellaneous revenues and interest earned. Charges for business-type activities of the utility fund (water, sewer, and garbage services) totaled $362,808.

Statement of Net Position

Include below is a Statement of Net Position at September 30, 2018 and 2017 for the City of Cumby, TX. The format allows the reader to view the overall financial position of the City.

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2018	2017	2018	2017	2018	2017
Current Assets	$ 102,960	$ 118,910	$ 47,828	$ 83,001	$ 150,788	$ 201,911
Capital Assets	158,691	182,303	1,644,510	1,747,054	1,803,201	1,929,357
Total Assets	261,651	301,213	1,692,338	1,830,055	1,953,989	2,131,268
Deferred outflows of resources	24,738	20,391	10,104	8,329	34,842	28,720
Current Liabilities	99,264	83,967	124,716	93,533	223,980	177,500
Noncurrent Liabilities	34,600	40,603	558,857	596,875	593,457	637,478
Total Liabilities	133,864	124,570	683,573	690,408	817,437	814,978
Deferred inflows of resources	19,983	16,162	8,162	6,602	28,145	22,764
Net Position:						
Invested in Capital Assets, Net of Related Debt	158,691	182,303	1,064,363	1,147,143	1,223,054	1,329,446
Restricted	24,409	12,124	18,537	47,816	42,946	59,940
Unrestricted	(50,558)	(13,556)	(72,193)	(53,585)	(122,751)	(67,141)
Total Net Position	$ 132,542	$ 180,871	$ 1,010,707	$ 1,141,374	$ 1,143,249	$ 1,322,245

The composition of net position and the changes in net position over time serve as a useful indictor of a government's financial position. The City's assets at September 30, 2018 exceeded liabilities by $1,143,249 (net assets). The City's assets are comprised of $261,651 from governmental activities and $1,692,338 from business-type activities.

The largest category of the City's net position, invested in Capital Assets Net of Related Debt, totaled $1,223,054 as of September 30, 2018. The category reflects the total invested in capital assets (land, buildings, equipment, streets and right of ways, water and sewer system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. The City's investment in its capital assets is reported net of related debt. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The second category of net position, Restricted Net Asset, represents the net position that is subject to external or internal restriction on how assets may be used. Restricted Net Assets total $42,946 as of September 30, 2018.

The third category of net position, Unrestricted Net Assets, represents the net position that is not subject to external restriction on how assets may be used. The City's unrestricted net assets are comprised of ($50,558) from governmental activities and ($72,193) from business-type activities.

At the end of the current year, the City was able to report positive balances in net assets, for the government as a whole, as well as for separate governmental activities and business-type activities.

Governmental Activities – Statement of Net Position

The major component of the Current Assets category consists of cash and accounts receivables $102,960. The balance in this category is comprised of various receivables (amounts due) for property taxes and citation revenues net of allowance for doubtful accounts in the amount of $68,649, restricted cash in the amount of $24,409 and unrestricted cash in the amount of $9,903.

Capital Assets totaling $158,691 (net of accumulated depreciation) represents the City's investment in capital assets necessary to provide services to citizens of the City of Cumby, Texas.

Current Liabilities totaling $99,264 consist of accounts payable, accrued expenses, current maturity of long-term debt, and other liabilities.

Deferred inflows and outflows of resources are a measurement result for actuarial estimates made in relation to the City's net pension liability and OPEB liability. The City's governmental activities had deferred outflows of $24,738 and deferred inflows of $19,983 as of September 30, 2018.

Business-Type Activities – Statement of Net Position

For business-type activities (utility fund) there are two major components which are Current and Other Assets. Unrestricted Cash totaling $4,579, restricted cash totaling $18,537, and accounts receivable, net and unbilled receivable balances totaling $24,712 represent outstanding water, sewer, and sanitation billings.

Capital Assets totaling $1,644,510 (net of accumulated depreciation) represent the City's investment in land and buildings, machinery and equipment, and the water and sewer systems.

Current Liabilities totaling $77,779 consist primarily of accounts payable, current portion of long term debt, and customer deposits payable.

Noncurrent Liabilities totally $558,857 consists of bonds and loans outstanding payable over one year, the net pension liability, and the OPEB liability.

Business-type activities had deferred outflows and inflows as of September 30, 2018 related to net pension and OPEB liabilities in the amounts of $10,104 and $8,162, respectively.

Statement of Net Activities

A Statement of Activities for the City of Cumby, TX is presented bellow listing the major categories of revenues and expenses for the fiscal years ended September 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues						
Program Revenues						
Charges for Services	$ 458,882	$ 511,804	$ 362,808	$ 360,184	$ 821,690	$ 871,988
Operating Grants and Contributions	-	11,487	-	-	-	11,487
Capital Grants and Contributions	-	850	-	-	-	850
General Revenues:						
Property Taxes	87,305	76,069	-	-	87,305	76,069
Sales Taxes	100,333	112,026	-	-	100,333	112,026
Franchise Taxes	30,792	30,049	-	-	30,792	30,049
Investment Income	108	83	-	-	108	83
Other Income	3,405	745	-	730	3,405	1,475
Total Revenues	680,825	743,113	362,808	360,914	1,043,633	1,104,027
Program Expenses						
General Governmental	733,834	786,127	-	-	733,834	786,127
Water, Sewer, and Garbage	-	-	488,795	540,733	488,795	540,733
Total Expenses	733,834	786,127	488,795	540,733	1,222,629	1,326,860
Operating Transfers In(Out) Between Funds	4,680	(54,748)	(4.680)	54,748	-	-
Increase(Decrease) in Net Position	(48,329)	(97,762)	(130,667)	(125,071)	(178,996)	(222,833)
Beginning Net Position	180,871	279,341	1,141,374	1,267,944	1,322,245	1,547,285
Prior Period Adjustment		(708)		(1,499)		(2,207)
Ending Net Position	$ 132,542	$ 180,871	$ 1,010,707	$ 1,141,374	$ 1,143,249	$ 1,322,245

The Statement of Activities presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The format allows for presentation of Program Revenues (Charges for Services, Operating Grants and Contributions, and Capital Gains and Contributions) followed by a listing of General Revenues to support the City's overall governmental or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense (City Council, Police Department, etc.).

Governmental Activities – Statement of Activities

As noted above, there are two categories of revenues on the Statement of Activities - Program Revenues and General Revenues. Program Revenues are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's General Revenues. Program Revenues are further divided into Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions.

General Revenues include all revenues not required to be reported as Program Revenues. All taxes are to be reported by the type of tax. For the City of Cumby, TX, the major revenues are charges for services, property taxes, sales taxes, franchise taxes, investment income, and other income with totals of $458,882, $87,305, $100,333, $30,792, $108, and $3,405, respectively. Charges for Services decreased this year as a result of the City's turnover in employees in the court clerk position and missing issuance in warrants. Property taxes increased this year due to county's successful collection of past due amounts and current year assessments. Sales tax revenues decreased this year as a result of lower sales tax collections made during the year.

Other General Revenues reported include licenses and fines and other income.

Program Expenses are presented in the above Statement of Activities by function and total $733,834 for the year ended September 30, 2018. Operating transfers in from the Business-Type Activities total $4,680. Revenues less expenses then less operating transfers out presented in this statement totaled to an increase (decrease) in Net Position of $48,329). The reason for the City's change in net position from the prior year was due to the City being able to decrease its overall spending during the year despite the decrease in overall income.

The City is showing a prior period adjustment for the effect of an accounting change in how OPEB Liabilities are reported, errors noted due to over accrual of state fees, missing accruals of receivables related to franchise fees, and for errors in recording net pension liabilities and related deferred outflows and inflows. For September 30, 2017, the Net Assets for Government Activities were reduced by $708.

Business- Type Activities – Statement of Activities

Business-type Activities provided by the City of Cumby, Texas consist of water, sewer, and sanitation. Program Revenues for the current year in the Changes for Services sub-category consist of billings of $362,808 for water, sewer, and garbage services. The increase is due to a small community growth at various times in the year and increased water usage.

The City reports the total amount of expenses for operation of the utility system as $488,795 for the year ended September 30, 2018. Operating transfers to the Governmental Activities total $4,680. Revenues less expenses then plus operating transfers in presented in this statement total an increase (decrease) in Net Position of ($130,667). The changes in net position from the previous year is considered minor as the City was able to reduce its need for transfers in by reducing its overall costs.

The City is showing a prior period adjustment for the effect of an accounting change in how OPEB Liabilities are reported and errors in relation to the net pension liability and related deferred inflows and outflows. For September 30, 2017, the Net Assets Business Type Activities were reduced by $1,499.

Governmental Funds Financial Analysis

At September 30, 2018, the City's governmental fund balances totaled $3,696. Of the total fund balance, $20,713) was unrestricted for general funds and $24,409 was restricted for police department improvements. Under the modified-accrual basis for Fund Financial Statements, the emphasis is on accounting for current financial resources of the City. Assets include primarily $9,903 in unrestricted cash, $24,409 in restricted cash, and $8,170 in property tax receivables, net allowance of uncollectible taxes; and $37,444 in citation receivables, net allowance of uncollectible citations; $5,188 in franchise fee receivables, net of uncollectible franchise fees; $17,848 in sales tax receivables, net of uncollectible sales taxes. Liabilities for the City consist primarily of deferred property tax revenue totaling $8,170, deferred citations revenue totaling $37,444, accounts payable for fees due to vendors in the amount of $17,607due to pending credits, payroll liabilities in the amount of $3,031, accrued payroll in the amount of $2,446, and accrued state fees in the amount of $30,567.

The fund reporting format presents in the Statement of Revenues, Expenditures, and Changes in Fund Balances all revenue types followed by the expenditures of the City, also presented on a functional basis. However, for the Fund Financial Statements, the City reports only current year capital expenditures and does not report depreciation on capital assets as in the Government-Wide Financial Statements. The major revenue sources are similar to the government-wide presentation above. The General Fund reported a deficit of revenues over expenditures of $33,181). Fund balance at end of the year for the General Fund was $3,695.

Proprietary Fund Financial Analysis

The total amounts presented for the Proprietary Fund (utility fund for water, sewer and garbage services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, pending implementation of financial reporting improvements to report activities of the water, sewer and garbage systems on a functional basis. The major operating expenses of the fund include water and sewer services and garbage services in the amount of $95,985, payroll in the amount of $186,570, maintenance and supplies in the amount of $65,079, and depreciation expense in the amount of $117,714. The reason for the decrease in expenses for the proprietary funds is due to the City's ability to reduce costs during the current year.

General Fund Budgetary Analysis

For the current year, the City had significant variances between budget amounts and actual results for the General Fund. These variances have been presented in the Required Supplementary Information Schedules on pages 44 – 45.

Pensions

The City's pension liability accounts changed during the year as a result of the actuarial statements which can be reviewed on the Texas Municipal Retirement System (TMRS) website at www.tmrs.com. The funding valuation is important as the actuarial methods used include strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements includes two schedules under the Required Supplemental Information (RSI). The first schedule in the RSI, Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Pension Expense, is based on funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2018 in the amount of $23,614 which is 5.89% of the City's annual covered payroll of $400,879.

Postemployment Benefits Other Than Pensions

The City's recording for postemployment benefits other than pensions liability accounts was implemented during the year as a result of GASB No. 75 which makes the use the actuarial statements that can be viewed on the Texas Municipal Retirement System (TMRS) website at www.tmrs.com. The funding valuation is important as the actuarial methods used include strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements includes three schedules under the Required Supplemental Information (RSI). The first schedule in the RSI, Changes in OPEB Liability and Related Ratios, is based on the reporting valuation. The third schedule in the RSI, Schedule of OPEB Expense, is based on funding valuation. On a reporting basis, the City's financial statements reflect a OPEB Liability as of September 30, 2018 in the amount of $16,623 which is 4.15% of the City's annual covered payroll of $400,879.

Capital Assets and Long-Term Debt

Capital Assets

At September 30, 2018, the City had $1,803,201 invested in a broad range of capital assets including buildings, streets and right of ways, and the water and sewer systems. The City made major additions during the year in the amounts of $15,567 in machinery and equipment and $15,170 in improvements to the water and sewer infrastuctures. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At September 30, 2018, the City had $580,148 in bonds and loans outstanding. More detailed information about the City's long-term debt is presented in Note 7.

Economic Factors and Current and Next Year's Budgets and Tax Rates

The City of Cumby, Texas management approach is conservative, yet accommodating to its citizen's economic development. The tax rate for the year ended September 30, 2018 will remain consistent with the current rate of $.440768 per $100 value of the assessed value of land.

Whenever possible, the Mayor and City Council actively pursue grants and other funding to provide more and better services for the City while relying on existing revenues and living within the budget. The City of Cumby, Texas finances long-term projects only when necessary.

Requests for Information

This financial report is designed to provide a general overview of the City of Cumby, Texas finances and to demonstrate the City's accountability. If you have questions regarding this report or need additional information, contact the City at PO Box 349, Cumby, Texas 75493. The phone number for the City is (903) 994-2272.

City of Cumby, TX
Statement of Net Position
September 30, 2018

	Primary Government		
	Government Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 9,903	$ 4,579	$ 14,482
Cash Restricted	24,409	18,537	$ 42,946
Receivables, Net of Allowances for Uncollectible Amounts			
Accounts Receivable	68,649	24,712	93,361
Total Current Assets	102,961	47,828	150,789
Noncurrent Assets			
Capital Assets			
Land and Buildings	441,537	2,895,478	3,337,015
Machinery and Equipment	569,430	215,209	784,639
Accumulated Depreciation	(852,276)	(1,466,177)	(2,318,453)
Total Noncurrent Assets	158,691	1,644,510	1,803,201
Total Assets	$ 261,652	$ 1,692,338	$ 1,953,990
Deferred Outflow of Resources			
Pensions	23,702	9,681	33,383
Postemployment Benefits Other Than Pensions	1,036	423	1,459
Total Deferred Outflows	$ 24,738	$ 10,104	$ 34,842

City of Cumby, TX
Statement of Net Position
September 30, 2018

	Primary Government		
	Government Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Accounts Payable	$ 53,651	$ 46,937	$ 100,588
Current Maturity of Long-Term Debt		36,739	36,739
Other Current Payables	45,613	41,040	86,653
Total Current Liabilities	99,264	124,716	223,980
Noncurrent Liabilities			
Long-Term Payables	-	543,409	543,409
Compensated Absences	6,032	3,779	9,811
Other Long-Term Payables	28,568	11,669	40,237
Total Noncurrent Liabilities	34,600	558,857	593,457
Total Liabilities	133,864	683,573	817,437
Deferred Inflow of Resources			
Pensions	19,983	8,162	28,145
Total Deferred Inflow of Resources	19,983	8,162	28,145
Net Position			
Net Investmet in Capital Assets	158,691	1,064,363	1,223,054
Restricted for			
Loan Payment		18,537	18,537
Other Purposes	24,409		24,409
Unrestricted	(50,558)	(72,193)	(122,751)
Total Net Position	$ 132,542	$ 1,010,707	$ 1,143,249

City of Cumby, TX
Statement of Activities
For the Year Ended September 30, 2018

					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	$ 733,833	$ 458,882	$ -	$ -	$ (274,951)		$ (274,951)
Business-type Activities:							
Water Utility	488,795	362,808	-	-		(125,987)	(125,987)
Total Business-type Activities	488,795	362,808	-	-		(125,987)	(125,987)
Total Primary Government	$ 1,222,628	$ 821,690	$ -	$ -	(274,951)	(125,987)	(400,938)
General Revenues:							
Sales Taxes					131,125	-	131,125
Property Taxes and Related Revenues					87,305	-	87,305
Miscellaneous					3,513	-	3,513
Transfers					4,680	(4,680)	-
Total General Revenues, Special Items, and Transfers					226,623	(4,680)	221,943
Change in Net Position					(48,328)	(130,667)	(178,995)
Net Position - Beginning					181,580	1,142,873	1,324,453
Prior Period Adjustment					(711)	(1,499)	(2,210)
Net Position - Ending					$ 132,541	$ 1,010,707	$ 1,143,248

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

City of Cumby, TX
Balance Sheets - Governmental Funds
As of September 30, 2018

		General Fund
Assets		
Cash and Cash Equivalents	$	9,903
Cash - Restricted		24,409
Receivables, Net of Allowances for Uncollectible Accounts		
Accounts Receivable		68,649
Total Assets		102,961
Liabilities		
Accounts Payable		17,607
Other Current Payables		36,044
Total Liabilities		53,651
Deferred Inflows of Resources		
Deferred Revenues		45,613
Total Deferred Inflows of Resources		45,613
Fund Balances		
Restricted for:		
Streets Capital Projects		
Loan Repayment		
Other Purposes		24,409
Unassigned, reported in		
General Fund		(20,713)
Total Fund Balances		3,696
Total Liabilities and Fund Balances	$	102,960

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

City of Cumby, TX

Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Position

September 30, 2018

Total Fund Balances - Governmental Fund	$	3,697
Capital assets used in governmental activities are not finanical resources and therefore are not reported in the funds.		1,010,967
Accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.		(852,276)
Deferred inflows of resources for net pension liability used in governmental activities are not financial resources and therefore are not reported in the funds.		(19,983)
Deferred inflows of resources for OPEB used in governmental activities are not financial resources and therefore are not reported in the funds.		-
Deferred outflow of resources for net pension liability used in governmental activities are not financial resources and therefore are not reported in the funds.		23,702
Deferred outflow of resources for OPEB used in governmental activities are not financial resources and therefore are not reported in the funds.		1,036
Accrued liabilties for compensated absences are not due and payable in the current period and, therefore are not reported in the fund financial statements.		(6,032)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.		(16,766)
Postemployment Benefits Other Than Pensions are not due and payable in the current period and, therefore, is not reported in the fund financial statements.		(11,802)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		-
Net Position of Governmental Activities	$	132,543

City of Cumby, TX
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund
Revenues	
Sales Taxes	131,125
Property Taxes and Related Revenues	87,305
Licenses and Permits	2,592
Fines and Forfeitures	456,290
Other Revenues	3,513
Total Revenues	680,825
Expenditures	
Current	
Administrative	153,718
Mayor and City Council	216
Public Safety	320,972
Municipal Court	206,020
Parks and Recreation	3,296
Public Works	18,896
Capital Improvements	15,567
Total Expenditures	718,685
Excess (deficiency) of Revenues Over Expenditures	(37,860)
Other Financing Sources (Uses)	
Transfers In	68,888
Transfers Out	(64,209)
Total Other Financing Sources and Uses	4,679
Net Change in Fund Balance	(33,181)
Fund Balances - Beginning	33,758
Prior Period Adjustment	3,118
Fund Balances - Ending	$ 3,695

City of Cumby, TX

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 - Governmental Funds	$	(33,180)
Current year capital outlays are expenditures in the fund financial statements but they should be shown as increases in capial assets in the government-wide financial statements		15,567
Repayment of debt principal is an exependiture in the fund financial statements but the payments reduce liabilities in the statement of net postion for the government-wide financial statements		-
Pension expenditures are recognized in the government-wide statement of activities and not in the fund financial statements.		9,985
Compensated Absences expenditures are recognized in the government-wide statement of activities and not in the fund financial statements.		(1,520)
Current year depreciation increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(39,180)
Change in Net Position in Governmental Activities	$	(48,328)

City of Cumby, TX
Statement of Net Position
Proprietary Funds
September 30, 2018

	Business-type Enterprises
	Water and Sewer
Assets	
Current Assets	
Cash and Cash Equivalents	$ 4,579
Cash - Restricted	18,537
Receivables, Net of Allowances for Uncollectible Amounts	
Accounts Receivable	24,712
Total Current Assets	47,828
Noncurrent Assets	
Capital Assets	
Land and Buildings	2,895,478
Machinery and Equipment	215,209
Accumulated Depreciation	(1,466,177)
Total Noncurrent Assets	1,644,510
Total Assets	$ 1,692,338
Deferred Outflow of Resources	
Pensions	9,681
Postemployment Benefits Other Than Pensions	423
Total Deferred Outflows	$ 10,104

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

City of Cumby, TX
Statement of Net Position
Proprietary Funds
September 30, 2018

	Business-type Enterprises Water and Sewer
Liabilities	
Current Liabilities	
Accounts Payable	$ 46,937
Current Maturity of Long-Term Debt	36,739
Other Current Payables	41,040
Total Current Liabilities	124,716
Noncurrent Liabilities	
Long-Term Payables	543,409
Compesated Absences	3,779
Other Long-Term Payables	6,848
Total Noncurrent Liabilities	554,036
Total Liabilities	678,752
Deferred Inflow of Resources	
Pensions	8,162
Total Deferred Inflow of Resources	8,162
Net Position	
Net Investmet in Capital Assets	1,064,363
Rstricted for Debt	18,537
Unrestricted	(72,193)
Total Net Position	$ 1,010,707

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

City of Cumby, TX
Statement of Revenues, Expenditures, and Changes in Fund Balances
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Enterprises Water and Sewer
Operating Revenues	
Charges for Services	$ 362,808
Total Operating Revenues	362,808
Operating Expenses	
Water, Sewer, and Garbage Operating Expenses	95,895
Payroll	186,570
Maintenance and Supplies	65,079
Depreciation	117,714
Total Operating Expenses	465,258
Operating Income (Loss)	(102,450)
Non-Operating Revenues (Expenses)	
Interest Expense	(23,538)
Total Non-Operating Revenues (Expenses)	(23,538)
Income (Loss) Before Contributions and Transfers	(125,988)
Transfers In	64,209
Transfers Out	(68,888)
Total Contributions and Transfers	(4,679)
Change In Net Position	(130,667)
Net Position Beginning	1,142,873
Prior Period Adjustment	(1,499)
Net Position - Ending	$ 1,010,707

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

City of Cumby, TX
Statement of Cash Flows - Direct Method
Proprietary Funds
For the Year Ended September 30, 2018

Cash Flows from Operating Activities		
Cash Received from Customers	$	368,418
Cash Paid to Suppliers and Employees		(315,694)
Net Cash Provided By (Used In) Operating Activities		52,724
Cash Flows From Noncapital and Financing Activities		
Transfers In		64,209
Transfers Out		(68,888)
Net Cash Provided By (Used In) Noncapital and Financing Activities		(4,679)
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Bonds, Loans, and Leases		(40,670)
Interest Paid on Bonds, Loans, and Leases		(23,538)
Capital Expenditures		(15,170)
Net Cash Provided By (Used In) Capital and Related Financing Activities		(79,378)
Net Increase (Decrease) In Cash and Cash Equivalents		(31,333)
Beginning Cash and Cash Equivalents		54,448
Ending Cash and Cash Equivalents	$	23,115
Reconciliation of Net Income (Loss) To Cash Provided By (Used In) Operating Activities		
Net Income (Loss)	$	(102,449)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and Amortization		117,714
Decrease (Increase) in Operating Assets:		
Accounts Receivable		3,834
Other		12,168
Increase (Decrease) in Operating Liabilities:		
Accounts Payable		28,648
Accrued Liabilities		4,523
Other		1,654
Total Adjustments		168,541
Net Cash Provided By (Used In) Operating Activities	$	66,092

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

Notes to the Financial Statements

Note (1) Summary of Significant Accounting Policies

The accounting policies of the City of Cumby, Texas (City) as reflected in the accompanying financial statements for the year ended September 30, 2018 conform with the United States generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are discussed in subsequent subsections of this note.

The financial statements include a "Management Discussion and Analysis" (MD&A) section providing an analysis of the City's overall financial position and results of operations, financial statements prepared using full accrual accounting for all the City's activities, and a change in fund financial statements to focus on the major funds.

Financial Reporting Entity

The City was incorporated on May 13, 1911 and operates under a council-mayor form of government and provides the following services as authorized by its charter: public safety-police, streets, water utility service, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

Government-Wide and Fund Financial Statements

In February 2009, the GASB issued statement No. 54 – Fund Balance Reporting and Governmental Fund Types. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of resources reported in each governmental fund. In addition, this standard requires additional note disclosures regarding the fund balance classification policies and procedures.

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

The fund level statements focus on the governmental and proprietary funds. The accounts of the City are organized on the basis of funds. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major funds are determined by criteria specified by GASB. Major governmental funds are reported as separate columns in the fund financial statements. All other funds are aggregated into governmental fund groupings.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available. Revenues, other than grants, are considered to be available when they are collectible, within the current period or soon enough thereafter to pay liabilities of the current period. Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is due. However, expenditures related to compensated absences and claims and judgments are recorded to the extent they are normally expected to be liquidated with available financial resources. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise fees, municipal court fines, and interest associated with the current fiscal period are recognized under the susceptible to accrual concept. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following funds which are reported as major funds:

General Fund

The general fund is the general operating fund of the City and always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects

These funds are used to account for capital asset acquisition and construction of various City projects including several major capital projects financed by government bonds.

Debt Service

The Debt-Service Fund is used to account for the payment of general obligation long-term debt principal, interest and related costs. Such payments are financed by a portion of the property tax levy and other sinking funds.

Proprietary Fund

The City is responsible for providing water, sewer, and garbage services to the residents of the City which is operated as a self-sustaining utility service.

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. Proprietary Funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and sewer services. The proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. As allowed by Governmental Accounting Standards, the City has elected to not apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 in the preparation of the proprietary funds financial statements.

Capital Assets

Capital assets which include land and improvements, buildings and improvements, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activity columns for the government-wide statement of net assets, and related depreciation is allocated to program in the statement of activities. Assets purchased or constructed are capitalized at historical cost. Capital outlay is recorded as expenditure in the General Fund and other governmental funds and as an asset in the Government-wide Financial Statements and Proprietary funds. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

The City obtains public domain capital assets (infrastructure) through capital improvements projects (CIP) construction. Infrastructure consists of certain improvements other than buildings, including streets and roads, pedestrian facilities, and drainage systems.

In the Government-wide and Proprietary Fund financial statements, capital assets are depreciated using the straight-line methods with the following estimated useful lives:

	General Fund	Proprietary Fund
Buildings and Improvements	10 - 39	10 - 39
Infrastructure	5 - 40	5 - 40
Machinery and Equipment	5 -10	5 -10

Depreciation of assets is classified by functional components. The City considers land to be inexhaustible; and therefore, this asset is reported as non-depreciable.

In the Government-wide and Proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Budgetary Data

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

(1) Prior to September, the Mayor submits to the City Council a proposed operating budget for the year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.
(2) Public hearings are conducted, after proper official journal notification, to obtain taxpayer comments.
(3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
(4) Under Civil Statures, the City is prohibited from budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years.
(5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Revenue Fund.

The Budget for the Revenue Fund (Proprietary) is adopted on a basis consistent with GAAP, except the City budgets capital outlay as expense and does not budget depreciation expense.

Budgeted amounts are as originally adopted or as amended by the City Council.

Other Significant Accounting Policies

Encumbrances

Formal encumbrance accounting is not used by the City.

Cash Flows

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with a maturity of thirty days or less when purchased to be cash equivalents.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as "due to or from other funds" on the fund-level statements. All interfund transactions between governmental funds are eliminated on the Government-wide statements.

Receivables – Government-Wide Statements

In the Government-wide Statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivables are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, property taxes, franchise fees, grants and police fines. Business-type activities report utility accounts receivable as their major receivables.

Receivables – Fund Financiai Statements

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the Government-wide Financial Statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Long-Term Debt

In the Government-wide Financial Statements and Proprietary Fund Types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing uses.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Transfers between governmental funds and business-type activities have not been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United states of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reservations of Fund Equity

Reservation of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods. As of September 30, 2018, the General Fund reserved fund balance for maintenance and repair of streets totaled $9,592, $54,959 for debt service, and $47,715 for asset seizures, respectively. This reserved balance represents 1/4 of 1% sales tax voted in the general election to provide revenue for the maintenance and repairs of municipal streets.

Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A).

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
2. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54. – Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balance as follows:

1. Non-spendable—Includes fund balance amounts that cannot be spent either because they are not in spendable form (inventories) or because legal or contractual requirements mandate funds be maintained intact (contractual obligations).
2. Restricted—Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
3. Committed—Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action at the highest level of decision making authority. The Common Council through a formal action (ordinance or resolution) commits fund balance amounts for the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which is subject to the constraints, may be determined in a subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
4. Assigned—Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance is assigned through formal action (ordinance or resolution) by the Common Council for specific purposes. Assignments may take place after the end of the reporting period.
5 Unassigned—Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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 and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, pension related deferred outflows and inflows of resources, and OPEB expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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 and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Other Than Pensions.

Note (2) – Collateralization of Deposits

Custodial Credit Risk for Deposits

Statutes authorize the City to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements, and commercial paper rated A-1 by Standard & Poor's Corporation or P-I by Moody's Commercial Paper Record. The City's policy is to invest in instruments or require collateral so as to not expose the City to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks. Since the City complies with this law, it has no custodial credit risk for deposits.

At September 30, 2018, the bank balances totaling $57,428 were fully insured by FDIC coverage of $250,000. There was no additional coverage provided by pledged securities.

Note (3) Property Taxes

Property taxes are attached as an enforceable lien on property as of January 31. Property taxes are levied by October 1. City property tax revenues are recognized when levied to the extent that they result in current receivables. The Hopkins County Appraisal District bills and collects property taxes for the City of Cumby, Texas.

The State of Texas Constitution limits the city's ad volorem tax rate for all purposes to $1.50 per one hundred dollars of assessed valuation. The tax rates levied October 1, 2017 to finance General Fund operations was $.440768 per $100 per valuation respectively. Ad volorem tax revenue was levied using total rate of $.440768 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of $1.50 per $100 and could rise up to

$271,958 additional tax revenue a year from the present assessed valuation of $18,130,559 before the limit is reached. The current year levy assessed for the 2018 tax roll was $79,914.

Note (4) Receivables

For the year ended September 30, 208, receivables are reported net of allowance for doubtful accounts as calculated below:

	Receivables	Allowance	Net Receivables
Governmental Funds: General Fund			
Citation Receivable	$ 748,873	$ 711,430	$ 37,444
Franchise Fees Receivable	5,188	-	5,188
Sales Tax Receivable	17,848	-	17,848
Property Taxes Receivable	9,077	908	8,170
	$ 780,986	$ 712,337	$ 68,649
Proprietary Funds: Utility Fund			
Accounts Receivable	$ 27,457	$ 2,746	$ 24,712

Note (5) Capital Assets

Capital Asset activity for the year ended September 30. 2018 was as follows:

	October 1, 2017	Additions	Disposals	September 30, 2018
Governmental Activities				
Land	$ 32,000	$ -	$ -	$ 32,000.00
Buildings and Improvements	139,001	-	-	139,001.00
Infrastructure	270,536	-	-	270,536.00
Machinery and Equipment	553,863	15,567	-	569,429.74
Total at cost	995,400	15,567	-	1,010,967
Less Accumulated Depreciation	(813,096)	(39,180)	-	(852,276)
Governmental Activities Capital Assets (Net)	$ 182,304	$ (23,613)	$ -	$ 158,691
Business-type Activities				
Land	$ 11,370	$ -	$ -	$ 11,370
Buildings and Improvements	164,820	-	-	164,820
Infrastructure	2,704,118	15,170	-	2,719,288
Machinery and Equipment	215,209	-	-	215,209
Total at cost	3,095,517	15,170	-	3,110,687
Less Accumulated Depreciation	(1,348,463)	(117,714)	-	(1,466,177)
Business-type Activities Capital Assets (Net)	$ 1,747,054	$ (102,544)	$ -	$ 1,644,510

Depreciation expense was charged to Governmental Activities and Business-type Activities in the amounts of $39,180 and $117,714 for the year ended September 30, 2018, respectively.

Note (6) Deferred Revenue

Deferred revenue at September 30, 2018 was $8,170 as a result of uncollected property tax revenues and $37,444 for uncollected citations.

Note (7) Bond and Notes Payable

The City has the following debt outstanding for the Proprietary Fund at September 30, 2018:

	Original Balance	Maturity Date	Interest Rates	Debt Balance 9/30/2018	Payment Dates
Proprietary Fund					
Certificate of Obligations	695,000	2034	3.93%	559,451	Jan/July
Alliance Bank	45,436	2026	5.25%	5,092	Quarterly
Ally	27,736	2026	4.39%	15,604	Monthly

The Series 2012 Combination Tax and Revenue Certificate of Obligations was obtained for the purpose of sewer infrastructure improvements which were completed in 2013 and require interest payments in July of each year and a principle and interest payment in October for each year until fully paid in 2034. The payments for the year ended September 30, 2018 were paid through the City's Debt Service Fund.

The City secured a note in the amount of $45,436 in January 2014 for the purchase of a sewer jet spray with interest of 5.25% to be paid quarterly. This note matures in January 2019.

The City entered into a capital lease agreement with Jay Hodges Chevrolet in May of 2016 for a 2016 Silverado in the amount of $27,736. The lease is to be paid in monthly payments of $516.62 with an interest rate of 4.39%. This lease matures in May of 2021.

The City's ordinance required the City to charge and collect for services rendered by the water system rates sufficient to pay all operating, maintenance, depreciation, replacement and betterment expenses, and other costs deductible in deterring "Net Revenues".

Bonds and notes payable activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Proprietary Fund					
Certificate of Obligations	585,000	-	25,549	559,451	26,710
Alliance Bank	5,092	-	-	5,092	5,092
Ally	20,908	-	5,304	15,604	5,567
Total Proprietary Fund	611,000	-	30,853	580,148	37,369
Totals	$ 611,000	$ -	$ 30,853	$ 580,148	$ 37,369

Payment requirements for the next five years and thereafter for all bonds and loans outstanding as of September 30, 2018 are as follows:

	Principal	Interest	Total
2019	$ 36,739	$ 22,253	$ 58,992
2020	32,965	20,834	53,799
2021	32,404	19,470	51,874
2022	29,337	18,262	47,600
2023	30,511	17,088	47,600
Thereafter	418,192	95,634	513,826
Total	$ 580,148	$ 193,542	$ 773,690

Interest expense on bonds and loans outstanding for the proprietary and general funds totaled $23,538 and $0 for the year ended September 30, 2018, respectively.

Note (8) Deficit in Fund Equity

Fund equity contains deficit balance in the unassigned funds at September 30, 2018 in the amounts of (20,713) and ($72,193) for the general fund and proprietary fund, respectively.

Note (9) Interfund Transfers

Interfund transfers for the year ended September 30, 2018 consisted of the following:

	Transfers In	Transfers Out
General Fund		
Transfers in/out to Water and Sewer	68,888	64,209
Proprietary Fund		
Tranfers in/out to General Fund	64,209	68,888
	$ 133,097	$ 133,097

The fund transfers are used to subsidize the deficiency of revenues over expenses in respective funds on an as needed basis.

Note (10) Sanitation Contract

The City has entered into a sanitation contract with Republic Services. The City of Cumby, Texas incurred $47,078 of expenses on the sanitation contract for the year ended September 30, 2018.

Note (11) Risk Financing and Related Insurance Issues

In the normal course of business, the City is exposed to risks of loss from a number of sources including fire and casualty losses, errors of omissions by council members and employees, negligent acts by employees including law enforcement officers, automobile and mobile equipment accidents, and injuries to employees during the course of performing during the course of performing duties for the City.

The City attempts to cover these losses by the purchase of insurance. Currently the City purchases 100% of its risk-related insurance through the Texas Municipal League Intergovernmental Risk Pool. The City purchases insurance from the pool with annual maximum limits and to the extent of these maximum limits the City will incur no additional liability due to excess insurance purchases by the risk pool. The City would be liable for claims in excess of the policy limits. In management's estimation, there are no current loss claims that exceed the insured maximum limits. Significant loss experiences could subject the City to significant premium increases.

Note (13) Subsequent Events

The City has reviewed its records for subsequent events that may or will occur as of January 14, 2019. Based on the City's review, there are no such events that need disclosure or accounted for at this time for the year ended September 30, 2018. The City has made the financial statements available as of January 14, 2019.

Note (14) Pension Plan

Plan Description

The City participates as one of 860 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 report (CAFR) that can be obtained at www.TMRS.com.

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

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members may choose to receive their retirement benefit in one of seven actuarially equivalent 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.

Plan provisions of the City were as follows:

	Plan Year 2017
Employee deposit rate	5%
Matching ratio (city to employee)	1 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	0%
Annuity Increase (to retirees)	0% of CPI

The City does participate in Social Security

Employees covered by benefit terms:

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

Retirees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	15
Active employees	10
	28

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) 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.

Both the employees and the City make contributions monthly. Employees for the City of Cumby, TX were required to contribute 5% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 2.08%, which provided for an additional voluntary contribution of

.02 percentage points over the required contributions of 2.06% for the months in 2017 and an overage of .02 percentage points over the actuarially required contribution of 2.06% for the months in 2017.

Net Pension Liability:

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

Actuarial assumptions:

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-tem change to the amortization policy.

Economic Assumptions:

General Inflation is assumed to be 2.50% per year. System-wide Investment Return Assumptions are 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers. The assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts are based on an annual rate of 5.00% for 1) accumulating prior service credit and updated service credit after the valuation date, 2) accumulating the employee current service balances, 3) determine the amount of the monthly benefit at future dates of retirement or disability, and 4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund. Overall payroll growth is estimated to 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. For cities with a decrease in the number of contributing members from 2004 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%. Salary increases are assumed to occur once a year, on January 1. Annuity increases are based on the Consumer Price Index at a rate of 2.50% per year prospectively. The City of Cumby, TX's annual increases is 0.00% assumed when calculating the TPL.

Demographic Assumptions:

Termination rates for the first 10 years of service are based on gender, entry age, and length of service. For the City of Cumby, TX a multiplier applied 75% is applied based on the experience of the city in comparison to the group as a whole. A further multiplier is based on the employee's classification and is broken down as follows: Fire – 63%, Police – 88%, and other – 108%. After 10 years of service, the termination rates vary by gender and by the number of years remaining until first retirement eligibility. The new additional multiplier results as follows: Fire – 52%, Police – 79%, and other 115%. Forfeiture rates for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates discussed. The withdrawal rates for cities with a 1 to 1 rate has an 8% add back. For calculating the actuarial liability and retirement contribution rates, 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%. Based on the size of the City, rates are multiplied by an additional factor of 91%. The rats are projected on a fully generation basis by scale BB to account for future mortality improvements. Disable rates use the same adjustment with a 3 year set-forward for both males and females with an additional 3% minimum mortality rate. Pre-Retirement Mortality uses the RP2000 Schedule with a rate of 54.5% rate for male and a 51.5% rate for females. APRs for 2014 used the UP-1984 Table with an age setback of two years for retiree and an age setback of eight years for beneficiaries. Beginning 2027 the APRs will be based on a unisex blend of the RP-2000 Combined healthy Mortality Tables with Blue Collar adjustment for males and females with rates both multiplied by 107% and projected on a fully generational basis with scale BB.

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 plant investments 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. The target allocation and best estimates of arithmetic 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 Arithmetic
Domestic Equity	17.5%	3.08%
International Equity	17.5%	-0.27%
Core Fixed Income	10.0%	4.94%
Non-Core Fixed Income	20.0%	-3.28%
Real Return	10.0%	0.29%
Real Estate	10.0%	-1.09%
Absolute Return	10.0%	-0.26%
Private Equity	5.0%	-3.59%
Unallocated Cash	0.0%	0.18%
Total	100.0%	

The following presents the NPL of the City, calculated using the discount rate of 7.0%, as well as what the City's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 63,243	$ 23,614	$ (8,794)

Pension Plan Fiduciary Net Position:

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

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2018, the City recognized pension expense of $3,630. This amount is included as part of Public Safety, Municipal Court, and Public Works expenses within the functional program activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 22,954	$ -
Differnece between projected and acutal investment earnings	71	1
Difference in assumptions	3,528	-
Differences between acturarial assumptions and actual experience	7,100	28,144
Total	$ 33,653	$ 28,145

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of ($3,156) will be recognized as a reduction to the net position liability for the measurement date of December 31, 2017 (i.e. recognized in the City's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measuremnt Year ended December 31,	
2018	$ (5,067)
2019	(5,522)
2020	(3,971)
2021	(3,156)
2022	-
Thereafter	-
Total	$ (17,716)

Supplemental Death Benefits Fund for OPEB

The City also participates in the cost sharing single-employer unfunded OPEB plan operated by TMRS know as Supplemental Death Benefits (SDBF) which has a plan year end of December 31, 2017. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered to a single-employer, defined benefit OPEB plan.

Benefit payments are treated as being equal to the employer's yearly contributions for retirees with an applicable discount rate for an unfunded OPEB based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2017, the discount rate used in the development of the TOL was 3.31% compared to 3.78% as of December 31, 2016. The Total OPEB Liability (TOL) as of December 31, 2017 was "rolled back" to December 31, 2016 for the purpose of developing a beginning of year TOL.

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit. Currently the plan has 1 inactive employee entitled to but not yet receiving benefits and 10 active employees. Total covered payroll as of December 31, 2017 was $400,879 with an OPEB Liability as a percentage of covered payroll at 4.15%. Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are being equal to the employer's yearly contributions. As of December 31, 2017, there were no benefit payments and contributions.

OPEB Plan Assumptions:

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014. The discount rate used was based on the Fidelity Index's "20-Year Municipal GA AA Index" rate as of December 31, 2017. The summary of Actuarial Assumptions are as follows:

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount rate	3.31% based on the Fidelity Index's 20-Year Municpal AA Index
Retirees' share of benefit-related costs	$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under the reporting requirments under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multipled by 103% and projected on a fully gnerational basis with scale BB.
Mortaility rates - diable retiress	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% 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 mortaility improvements subject to the 3% floor.

For the year ended September 30, 2018, the City recognized OPEB expense of $1,820. This amount is included as part of Public Safety, Municipal Court, and Public Works expenses within the functional program activities.

OPEB Sensitivity to changes in the discount rates are as follows:

1% Decrease 2.31%	Current Single Rate Assumption 6.75%	1% Increase 4.31%
$ 21,342	$ 16,623	$ 13,287

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ -	-
Differnece between projected and acutal investment earnings	-	-
Difference in assumptions	1,459	-
Differences between acturarial assumptions and actual experience	-	-
Total	$ 1,459	$ -

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $0 will be recognized as a reduction to the net position liability for the measurement date of December 31, 2017 (i.e. recognized in the City's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measuremnt Year ended December 31,	
2018	$ 253
2019	253
2020	253
2021	253
2022	253
Thereafter	194
Total	$ 1,459

Required Supplementary Information

CITY OF CUMBY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Items		Actual	Variance with Final Budget Favorable
Revenues	**Original**	**Final**	**Amount**	**(Unfavorable)**
Accumulated Funds	$ 110,595	$ 110,595	$ -	$ (110,595)
Fines	550,000	550,000	458,882	(91,118)
Interest Earned	100	100	108	8
Licenses and Permits	100	100	3,405	3,305
Tax and Franchise Fees	230,000	230,000	218,430	(11,570)
Total Revenues	890,795	890,795	680,825	(209,970)
Expenditures				
Current Operating Expenses				
General Government	1,038,337	1,038,337	733,833	304,504
Capital Outlay				
Police Vehicle Improvements		-	-	-
Total Expenditures	1,038,337	1,038,337	733,833	304,504
Excess of Revenues and Expenditures Before Transfers	(147,541)	(147,541)	(53,008)	(94,533)
Bond Proceeds	-	-	-	-
Operating Transfers in (out)	-	-	4,680	4,680
Excess of Revenues over Expenditures	(147,541)	(147,541)	(48,328)	(89,853)
Fund Balance- Beginning of Year	181,580	181,580	181,580	-
Fund Balance- End of Year	$ 34,039	$ 34,039	$ 133,252	$ (89,853)

1. The Original and Final Budget were the same.

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CUMBY, TEXAS
PROPRIETARY FUND TYPE- REVENUE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Original/ Final Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES					
Water, sewer, and garbage services	$ 362,808	$ -	$ 362,808	$ 355,000	$ 7,808
Total Operating Revenues	362,808	-	362,808	355,000	7,808
OPERATING EXPENSES					
Water and Sewer Operating Expenses	347,544	-	347,544	207,459	(140,085)
Depreciation Expense	117,714	(117,714)	-	-	-
Total Operating Expenses	465,258	(117,714)	347,544	207,459	(140,085)
Operating Income (Loss)	(102,450)	117,714	15,264	147,541	147,893
NON-OPERATING REVENUE (EXPENSES)					
Interest Expense	23,538	-	23,538	-	(23,538)
Total Non-Operating Revenues (Expenses)	23,538	-	23,538	-	(23,538)
Income (Loss) Before Operating Transfers	(125,988)	117,714	(8,274)	147,541	171,431
Operating Transfers to Other Funds	(4,680)	-	(4,680)	-	(4,680)
Operating Transfers in From Other Funds	-	-	-	-	-
Changes in Net Assets	(130,668)	$ 117,714	$ (12,954)	$ 147,541	$ 166,751
Net Assets- Beginning of Year	1,142,873				
Net Assets- End of Year	$ 1,012,205				

1. The City budgets capital outlay as an expense.
2. The City does not budget depreciation expense.
3. The original and final budget were the same.

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CUMBY, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fiscal Year	Actuarially determined contribution	Contribution in relation to the actuarially determined contribution	Contribution excess (deficiency)	Covered employee payroll	Actuarially determined contribution as a percentage of covered employee payroll	Contribution as a percentage of covered employee payroll
2011	7,668	7,668	-	391,204	1.96%	1.96%
2012	8,740	8,740	-	395,863	2.21%	2.21%
2013	7,496	7,496	-	380,512	1.97%	1.97%
2014	9,347	9,347	-	391,095	2.39%	2.39%
2015	9,234	9,234	-	391,274	2.36%	2.36%
2016	8,418	8,418	-	408,623	2.06%	2.06%
2017	8,691	8,691	-	421,916	2.06%	2.06%
2018	8,258	8,258	-	400,879	2.06%	2.06%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calcualted 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	26 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 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortaility Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected fully generational basis with scale BB.

Other Information

There were no benefit changes during the year.

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CUMBY, TEXAS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31,		
	2017	2016	2015
(A) Total Pension Liability			
Beginning Balance	$ 261,026	$ 245,281	$ 256,374
Changes for the year:			
Service cost	25,696	26,743	26,601
Interest	17,966	16,715	17,719
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,509	(5,657)	(30,388)
Changes of assumptions	-	-	8,070
Benefit payments, including refunds of employee contributions	(15,430)	(22,056)	(33,095)
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Administrative expense	-	-	-
Other	-	-	-
Net changes	29,741	15,745	(11,093)
Ending Balance	$ 290,767	$ 261,026	$ 245,281
(B) Plan Fiduciary Net Position			
Beginning Balance	$ 223,578	$ 201,531	$ 204,320
Changes for the year:			
Service cost	-	-	-
Interest	-	-	-
Changes of benefit terms	-	-	-
Difference between expected and actual experieence	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(15,430)	(22,056)	(33,095)
Contributions - employer	8,259	9,831	9,766
Contributions - employee	20,044	20,828	20,431
Net investment income	30,871	13,606	302
Administrative expense	(161)	(154)	(184)
Other	(8)	(8)	(9)
Net changes	43,575	22,047	(2,789)
Ending Balance	$ 267,153	$ 223,578	$ 201,531
Net Pension Liability (A - B)	$ 23,614	$ 37,448	$ 43,750
Plan fiduciary net position as a percentage of the total pension liability	91.88%	85.65%	82.16%
Covered-employee payroll	400,879	416,554	408,623
Net pension liability as a percentage of covered employee payroll	5.89%	8.99%	10.71%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CUMBY, TEXAS
SCHEDULE OF PENSION EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Service Cost	$	25,696
Interest on the Total Pension Liability		17,966
Current Period Benefit Changes		-
Contributions - employee		(20,044)
Projected Earnings on Plan Investments		(15,092)
Administrative expense		161
Other		8
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities		446
Recognition of Current Year Outflow (Inflow) of Resources - Assets		(3,156)
Amortization of Prior Year Outflow (Inflow) of Resources - Liabilities		(5,592)
Amortization of Prior Year Outflow (Inflow) of Resources - Assets		3,237
Net changes	$	3,630

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CUMBY, TEXAS
SCHEDULE OF CHANGES IN THE OPEB LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Increase (Decrease)
		Total OPEB Liability
Balance at 12/31/2016	$	13,384
Changes for the year:		
Service cost		1,042
Interest		525
Changes of benefit terms		-
Difference between expected and actual experieence		-
Changes of assumptions		1,712
Benefit payments, including refunds of employee contributions		(40)
Other		-
Net changes		3,239
Balance at 12/31/2017	$	16,623

See Independent Auditors' Report and Notes to the Financial Statements

CITY OF CUMBY, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Plan/Calendar Year	Total SDB	Retiree Portion of SDB
	Contribution (Rate)	
2017	0.11%	0.01%
2018	0.12%	0.01%

Notes to Schedule

Valuation Date:

Accuarial assumptions used in the December 31st valuation were based on the results of an acturial experience study for the period December 31, 2010 to December 31, 2014.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount rate	3.31% based on the Fidelity Index's 20-Year Municpal AA Index
Retirees' share of benefit-related costs	$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under the reporting requirments under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multipled by 103% and projected on a fully gnerational basis with scale BB.
Mortaility rates - diable retiress	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% 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 mortaility improvements subject to the 3% floor.

CITY OF CUMBY, TEXAS
SCHEDULE OF OPEB EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Service Cost	$	1,042
Interest on the Total OPEB Liability		525
Current Period Benefit Changes		-
Recognition of deferred outflows/inflows of resources:		
Differences between exected and actual experience		-
Changes in assumptions or other inputs		253
Total OPEB expense	$	1,820

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