

ANNUAL FINANCIAL REPORT

CITY OF IDALOU, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF IDALOU
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page Number</u>
INTRODUCTORY SECTION		
City Council and Administrative Staff		1
FINANCIAL SECTION		
Independent Auditors' Report on Financial Statements		2
Management's Discussion and Analysis (Required Supplementary Information)		4
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	13
Statement of Activities	B-1	14
Governmental Fund Financial Statements:		
Balance Sheet-Governmental Funds	C-1	15
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	C-1R	16
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	C-2	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-3	18
Proprietary Fund Financial Statements		
Statement of Net Position	D-1	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	D-2	20
Statement of Cash Flows	D-3	21
Notes to the Financial Statements		22
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule:		
General Fund	E-1	48
Schedule of Changes in NPL and Related Ratios - TMRS	E-2	49
Schedule of Pension Contributions – TMRS	E-3	50
Schedule of Changes in OPEB and Related Ratios – TMRS	E-4	51
Schedule of OPEB Contributions – TMRS	E-5	52
Notes to the Required Supplementary Information		53
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Delinquent Taxes Receivable	G-1	55

CITY OF IDALOU
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page Number</u>
Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		56

INTRODUCTORY SECTION

CITY OF IDALOU
Idalou, Texas

September 30, 2019

CITY COUNCIL

David Riley

Mayor

Troy Stegemoeller

Mayor Pro-Tem

Joe Sisk

Councilmember

Darrell Fuller

Councilmember

Albert Bravo

Councilmember

Eric Geiser

Councilmember

ADMINISTRATIVE STAFF

Suzette Williams
Renee Wilbanks

City Administrator
City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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P.O. Box 93550

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Independent Auditors' Report

Honorable Mayor and City Council
City of Idalou, Texas
P.O. Box 1277
Idalou, Texas 79329

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Independent Auditors' Report
Page 2

Other Matters

Required Supplementary Information

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

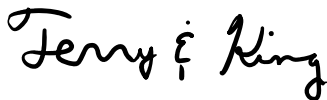
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Idalou's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the City of Idalou's internal control over financial reporting and on our 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 our 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'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 Idalou's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
November 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Idalou's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$158,448 or 5%, net position of our governmental activities increased by \$273,537 or 19%.
- During the year, the City had expenses that were \$153,537 less than the \$1,602,116 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services decreased \$25,476 to \$1,189,597 (or 2%) while operating expenses increased \$123,580 to \$950,060.
- The General Fund reported a deficit this year of \$90,215 prior to inter-fund transfers. The Water & Sewer fund transferred \$120,000 to the general fund. This resulted in a \$29,785 net increase to the general fund fund balance.
- The resources available for appropriation were \$15,084 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$6,701.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, streets, and parks departments, and general administration. Property taxes, sales taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, sewer, and sanitation services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$4,873,534. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$4,873,534 at September 30, 2019. (See Table A-1).

Table A-1
City of Idalou's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2019	2018	Percentage Change	2019	2018	Percentage Change	2019	2018	Percentage Change
Current assets:									
Cash in Bank	426,339	415,825	3%	2,243,779	2,145,316	5%	2,670,118	2,561,141	4%
Accounts Receivable-Utilities, net	-	-	0%	141,148	135,832	4%	141,148	135,832	4%
Taxes Receivable, net	29,077	30,849	-6%	-	-	0%	29,077	30,849	-6%
Due from Other Governments	32,551	22,092	47%	-	-	0%	32,551	22,092	47%
Accrued Interest	-	26	-100%	-	25	-100%	-	51	-100%
Internal Balances	(3,127)	-	-100%	-	-	0%	(3,127)	-	-100%
Total current assets:	484,840	468,792	3%	2,384,927	2,281,173	5%	2,869,767	2,749,965	4%
Noncurrent assets:									
Land	219,899	219,899	0%	37,895	37,894	0%	257,794	257,793	0%
Infrastructure	2,144,579	2,144,580	0%	-	-	0%	2,144,579	2,144,580	0%
Less accumulated depreciation, infrastructure	(1,260,236)	(1,144,611)	10%	-	-	0%	(1,260,236)	(1,144,611)	10%
Buildings and Improvements	1,420,928	1,268,943	12%	218,562	218,562	0%	1,639,490	1,487,505	10%
Less accumulated depreciation, buildings & improvements	(720,239)	(657,365)	10%	(51,397)	(41,815)	23%	(771,636)	(699,180)	10%
Water & Sewer System	-	-	0%	3,917,061	3,799,669	3%	3,917,061	3,799,669	3%
Less accumulated depreciation, water & sewer system	-	-	0%	(2,913,985)	(2,795,118)	4%	(2,913,985)	(2,795,118)	4%
Furniture & Equipment	2,118,264	1,839,750	15%	1,328,218	1,286,326	3%	3,446,482	3,126,076	10%
Less accumulated depreciation, furniture & equipment	(1,684,355)	(1,590,420)	6%	(1,151,402)	(1,109,834)	4%	(2,835,757)	(2,700,254)	5%
Total noncurrent assets	2,238,840	2,080,776	8%	1,384,952	1,395,684	-1%	3,623,792	3,476,460	4%
Total Assets	2,723,680	2,549,568	7%	3,769,879	3,676,857	3%	6,493,559	6,226,425	4%
Deferred Outflows of Resources									
Deferred Outflows - Pension	38,515	-	100%	14,957	-	100%	53,472	-	100%
Deferred Outflows - OPEB	807	857	-6%	310	326	-5%	1,117	1,183	-6%
Total Deferred Outflows	39,322	857	4488%	15,267	326	4583%	54,589	1,183	4514%
Current liabilities:									
Accounts Payable	11,823	22,256	-47%	2,203	26,931	-92%	14,026	49,187	-71%
Due to EDC	-	2,838	-100%	-	-	0%	-	2,838	-100%
Accrued Expenses	-	921	-100%	-	-	0%	-	921	-100%
Accrued Interest Expense	4,653	4,937	-6%	2,601	2,776	-6%	7,254	7,713	-6%
Total current liabilities	16,476	30,952	-47%	4,804	29,707	-84%	21,280	60,659	-65%
Noncurrent liabilities:									
Compensated Absences	11,241	17,075	-34%	5,484	4,675	17%	16,725	21,750	-23%
Customer Deposits	-	-	0%	65,185	64,795	1%	65,185	64,795	1%
Due within one year	80,000	75,000	7%	40,000	40,000	0%	120,000	115,000	4%
Net Pension Liability	32,528	21,946	48%	14,040	9,986	41%	46,568	31,932	46%
Net OPEB Liability	4,328	5,394	-20%	1,649	2,051	-20%	5,977	7,445	-20%
Due in more than one year	870,000	950,000	-8%	480,000	520,000	-8%	1,350,000	1,470,000	-8%
Total noncurrent liabilities	998,097	1,069,415	-7%	606,358	641,507	-5%	1,604,455	1,710,922	-6%
Deferred Inflows of Resources									
Deferred Inflows - Pension	33,511	10,388	223%	13,011	4,091	218%	46,522	14,479	221%
Deferred Inflows - OPEB	1,711	-	100%	646	-	100%	-	-	0%
Total Deferred Inflows	35,222	10,388	239%	13,657	4,091	234%	46,522	14,479	221%
Net Position:									
Net investment in capital assets	1,288,840	1,055,776	22%	864,952	835,684	4%	2,153,792	1,891,460	14%
Restricted For:									
Debt Service	1,473	247	496%	173,937	119,302	46%	175,410	119,549	47%
Unrestricted	422,894	383,647	10%	2,121,438	2,046,892	4%	2,544,332	2,430,539	5%
Total Net Position	1,713,207	1,439,670	19%	3,160,327	3,001,878	5%	4,873,534	4,441,548	10%

Net position of the City's governmental activities increased (\$1,713,207 compared to \$1,439,670). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$383,647 at September 30, 2018 to \$422,894 at the end of this year. Net position of the City's business-type activities increased 5%, from \$3,001,878 to \$3,160,327.

Table A-2
Changes in City of Idalou's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2019	2018	Percentage Change	2019	2018	Percentage Change	2019	2018	Percentage Change
Program Revenues:									
Charges for Services	185,884	211,814	-12%	1,189,597	1,215,073	-2%	1,375,481	1,426,887	-4%
Grants & Contributions	379,524	92,291	311%	-	-	0%	379,524	92,291	311%
General Revenues:									
Property Taxes	671,482	639,491	5%	-	-	0%	671,482	639,491	5%
Nonproperty Taxes	253,066	260,239	-3%	-	-	0%	253,066	260,239	-3%
Investment Earnings	14,382	4,518	218%	38,911	10,426	273%	53,293	14,944	257%
Other	97,778	42,728	129%	-	2,507	-100%	97,778	45,235	116%
	<u>1,602,116</u>	<u>1,251,081</u>	<u>28%</u>	<u>1,228,508</u>	<u>1,228,006</u>	<u>0%</u>	<u>2,830,624</u>	<u>2,479,087</u>	<u>14%</u>
Expenses:									
Administration	419,576	410,177	2%	-	-	0%	419,576	410,177	2%
Judicial	78,182	66,528	18%	-	-	0%	78,182	66,528	18%
Police Department	370,240	359,733	3%	-	-	0%	370,240	359,733	3%
Fire Department	114,152	117,346	-3%	-	-	0%	114,152	117,346	-3%
EMS	226,806	224,641	1%	-	-	0%	226,806	224,641	1%
Streets	145,276	110,730	31%	-	-	0%	145,276	110,730	31%
Parks	31,338	12,725	146%	-	-	0%	31,338	12,725	146%
Library	24,931	30,291	-18%	-	-	0%	24,931	30,291	-18%
Interest on L-T Debt	38,078	40,556	-6%	-	-	0%	38,078	40,556	100%
Water and Sewer	-	-	0%	693,890	595,293	17%	693,890	595,293	17%
Sanitation	-	-	0%	256,170	231,187	11%	256,170	231,187	11%
	<u>1,448,579</u>	<u>1,372,727</u>	<u>6%</u>	<u>950,060</u>	<u>826,480</u>	<u>15%</u>	<u>2,398,639</u>	<u>2,199,207</u>	<u>9%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	153,537	(121,646)	226%	278,448	401,526	-31%	431,985	279,880	54%
Other Resources (Uses)	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	<u>120,000</u>	<u>177,000</u>	<u>-32%</u>	<u>(120,000)</u>	<u>(177,000)</u>	<u>32%</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Increase (Decrease) in Net Position	273,537	55,354	-394%	158,448	224,526	-29%	431,985	279,880	54%
Net Position - Beginning	1,439,670	1,388,287	4%	3,001,879	2,778,862	8%	4,441,549	4,167,149	7%
Prior Period Adjustments	-	(3,971)	-100%	-	(1,510)	-100%	-	(5,481)	-100%
Net Position - Ending	<u>1,713,207</u>	<u>1,439,670</u>	<u>19%</u>	<u>3,160,327</u>	<u>3,001,878</u>	<u>5%</u>	<u>4,873,534</u>	<u>4,441,548</u>	<u>10%</u>

The City's total revenues were \$2,830,624. A significant portion, 43%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (42%), non-property taxes (16%), charges for services (12%), grants and contributions (24%), and other (6%).

The total cost of all programs and services was \$2,398,639; 40% of these costs were for water, sewer, and sanitation expenses. Expenses for governmental activities consisted of costs for general administration (29%), public safety (33%), streets (10%), health & welfare (16%), parks and library (4%), other (8%).

Governmental Activities

Revenues for the City's governmental activities increased approximately 28%, while total expenses increased 6%.

- Property tax rates remained the same at \$0.60817 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$650,235, compared to \$664,674 for the current year. Total tax collections were \$660,342 in the current year of which \$557,135 was for maintenance and operation and \$103,207 for debt service.
- The City received a grant in the amount of \$200,000 for the purchase of a fire truck.
- The City expended \$151,985 to build a skatepark and add baseball field lighting which was partially funded with grant proceeds of \$71,250.
- The police department also received a grant for the purchase of technology equipment in the amount of \$30,414.
- The cost of all *governmental* activities this year was \$1,448,579. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$671,482 because some of the costs were paid by those who directly benefited from the programs (\$185,884), by nonproperty taxes (\$253,066), or grants and contributions (\$379,524).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increased less than 1% (\$1,228,508 from \$1,228,006) and expenses increased 15% (\$950,060 from \$826,480).

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$443,940, which is an increase from the prior year's total of \$412,929. The following items effecting fund balance should be noted:

- In the prior year, expenditures were more than revenues by \$27,686 prior to transfers. In the current year, expenditures were more than revenues by \$90,215 prior to transfers.
- The revenues in the governmental funds increased approximately 23% from the prior period and expenses for the governmental funds increased 34% from the prior period. These increases were largely due to grant revenues and related expenditures as discussed on the previous page.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were \$15,084 more than budgeted amounts and expenditures were \$6,701 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had \$11,405,406 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$589,777 over last year.

Table A-3
Fixed Assets

Governmental Activities:	Balance 10-01-18	Additions	Deletions/ Reclassifications	Balance 09-30-19
Land	\$ 219,899	-	-	219,899
Infrastructure	2,144,579	-	-	2,144,579
Buildings& Improvements	1,268,943	151,985	-	1,420,928
Furniture & Equipment	1,839,755	278,509	-	2,118,264
Accumulated Depreciation	(3,392,395)	(272,435)	-	(3,664,830)
Net Capital Assets	\$ 2,080,781	\$ 158,059	\$ -	\$ 2,238,840

Business-Type Activities:	Balance 10-01-18	Additions	Deletions/ Reclassifications	Balance 09-30-19
Land	\$ 37,895	-	-	37,895
Improvements	218,562	-	-	218,562
Water & Sewer System	3,799,668	117,393	-	3,917,061
Vehicles & Equipment	1,286,328	41,890	-	1,328,218
Accumulated Depreciation	<u>(3,946,766)</u>	<u>(170,018)</u>	<u>-</u>	<u>(4,116,784)</u>
Net Capital Assets	<u>\$ 1,395,687</u>	<u>\$ (10,735)</u>	<u>\$ -</u>	<u>\$ 1,384,952</u>

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

Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

At year-end, the City had \$1,470,000 in debt outstanding as compared to \$1,585,000 at the end of the prior fiscal year.

Governmental Activities:	Balance 10-01-18	Additions	Decreases	Balance 09-30-19	Due Within One Year
Certificates of Obligation	\$ 995,000	\$ -	\$ 65,000	\$ 930,000	\$ 70,000
Note Payable – Fire Dept.	<u>30,000</u>	<u>-</u>	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>
	<u>\$ 1,025,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 950,000</u>	<u>\$ 80,000</u>

Business-Type Activities:	Balance 10-01-18	Additions	Decreases	Balance 09-30-19	Due Within One Year
Certificates of Obligation	\$ 560,000	\$ -	\$ 40,000	\$ 520,000	40,000
Total	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 520,000</u>	<u>\$ 40,000</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Idalou, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF IDALOU
Idalou, Texas

STATEMENT OF NET POSITION
September 30, 2019

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Unit	Total Reporting Entity
ASSETS:					
Cash in Bank	\$ 426,339	\$ 2,069,842	\$ 2,496,181	\$ 232,518	\$ 2,728,699
Cash in Bank - restricted	-	173,937	173,937	-	173,937
Accounts Receivable-Utilities, net	-	141,148	141,148	-	141,148
Taxes Receivable, Net	29,077	-	29,077	-	29,077
Due from Other Governments	32,551	-	32,551	-	32,551
Interfund Balances	(3,127)	-	(3,127)	3,127	-
Noncurrent Assets:					
Land	219,899	37,895	257,794	-	257,794
Streets and Infrastructure	884,343	-	884,343	-	884,343
Buildings & Improvements, net	700,689	167,165	867,854	-	867,854
Utility Systems & Equipment, net	-	1,003,076	1,003,076	-	1,003,076
Furniture & Equipment, net	433,909	176,816	610,725	-	610,725
TOTAL ASSETS	\$ 2,723,680	\$ 3,769,879	\$ 6,493,559	\$ 235,645	\$ 6,729,204
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Outflows - Pension	\$ 38,515	\$ 14,957	\$ 53,472	\$ -	\$ 53,472
Deferred Outflows - OPEB	807	310	1,117	-	1,117
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 39,322	\$ 15,267	\$ 54,589	\$ -	\$ 54,589
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 11,823	\$ 2,203	\$ 14,026	\$ -	\$ 14,026
Accrued Interest Payable	4,653	2,601	7,254	-	7,254
Noncurrent Liabilities:					
Accrued Compensation Payable	11,241	5,484	16,725	-	16,725
Due to Others	-	65,185	65,185	-	65,185
Net Pension Liability	32,528	14,040	46,568	-	46,568
Net OPEB Liability	4,328	1,649	5,977	-	5,977
Due within one year	80,000	40,000	120,000	-	120,000
Due in more than one year	870,000	480,000	1,350,000	-	1,350,000
Total Liabilities	1,014,573	611,162	1,625,735	-	1,625,735
DEFERRED INFLOWS OF RESOURCES:					
Deferred Inflows - Pension	33,511	13,011	46,522	-	46,522
Deferred Inflows - OPEB	1,711	646	2,357	-	2,357
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 35,222	\$ 13,657	\$ 48,879	\$ -	\$ 48,879
NET POSITION					
Net Investment in capital assets	1,288,840	864,952	2,153,792	-	2,153,792
Restricted for debt service	1,473	173,937	175,410	-	175,410
Unrestricted	422,894	2,121,438	2,544,332	235,645	2,779,977
Total Net Position	\$ 1,713,207	\$ 3,160,327	\$ 4,873,534	\$ 235,645	\$ 5,109,179

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
			Operating	Capital	Primary Government				
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit	Total Reporting Entity
Government Activities:									
General Administration	419,576	\$ 11,521	\$ -	\$ -	\$ (408,055)	-	(408,055)	-	(408,055)
Judicial	78,182	-	-	-	(78,182)	-	(78,182)	-	(78,182)
Public Safety - Police Department	370,240	-	-	30,414	(339,826)	-	(339,826)	-	(339,826)
Public Safety - Fire Department	114,152	81,587	-	217,028	184,463	-	184,463	-	184,463
Health and Welfare - EMS	226,806	89,230	50,832	-	(86,744)	-	(86,744)	-	(86,744)
Public Works - Street Department	145,276	-	-	-	(145,276)	-	(145,276)	-	(145,276)
Parks	31,338	-	-	81,250	49,912	-	49,912	-	49,912
Library	24,931	3,546	-	-	(21,385)	-	(21,385)	-	(21,385)
Interest on Long-Term Debt	38,078	-	-	-	(38,078)	-	(38,078)	-	(38,078)
<u>Total Government Activities</u>	<u>1,448,579</u>	<u>185,884</u>	<u>50,832</u>	<u>328,692</u>	<u>(883,171)</u>	<u>-</u>	<u>(883,171)</u>	<u>-</u>	<u>(883,171)</u>
Business-type Activities									
Water and Sewer	693,890	933,960	-	-	-	240,070	240,070	-	240,070
Sanitation	256,170	255,637	-	-	-	(533)	(533)	-	(533)
Total Business-type Activities	950,060	1,189,597	-	-	-	239,537	239,537	-	239,537
Total Primary Government	<u>2,398,639</u>	<u>1,375,481</u>	<u>50,832</u>	<u>328,692</u>	<u>(883,171)</u>	<u>239,537</u>	<u>(643,634)</u>	<u>-</u>	<u>(643,634)</u>
Component Unit:									
Economic Development Corporation	<u>\$ 14,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (14,643)</u>	<u>\$ (14,643)</u>
General Revenues:									
Property Taxes, Levied for General Purposes					566,893	-	566,893	-	566,893
Property Taxes, Levied for Debt Service					104,589	-	104,589	-	104,589
Nonproperty Taxes					253,066	-	253,066	36,793	289,859
Investment Earnings					14,382	38,911	53,293	550	53,843
Miscellaneous					97,778	-	97,778	350	98,128
Transfers					120,000	(120,000)	-	-	-
Total General Revenue					<u>1,156,708</u>	<u>(81,089)</u>	<u>1,075,619</u>	<u>37,693</u>	<u>1,113,312</u>
Change in Net Assets					273,537	158,448	431,985	23,050	455,035
Net Position -- Beginning					<u>1,439,670</u>	<u>3,001,879</u>	<u>4,441,549</u>	<u>212,595</u>	<u>4,654,144</u>
Net Position -- Ending					<u>\$ 1,713,207</u>	<u>\$ 3,160,327</u>	<u>\$ 4,873,534</u>	<u>\$ 235,645</u>	<u>\$ 5,109,179</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

CITY OF IDALOU
Idalou, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash	\$ 424,866	\$ 1,473	\$ 426,339
Taxes Receivable, net	26,485	2,592	29,077
Due from Other Governments	32,551	-	32,551
<u>TOTAL ASSETS</u>	<u>\$ 483,902</u>	<u>\$ 4,065</u>	<u>\$ 487,967</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	11,823	-	11,823
Due to EDC	3,127	-	3,127
<u>Total Liabilities</u>	<u>14,950</u>	<u>-</u>	<u>14,950</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue - Property Taxes	26,485	2,592	29,077
<u>Total Deferred Inflows of Resources</u>	<u>26,485</u>	<u>2,592</u>	<u>29,077</u>
FUND BALANCES			
Restricted:			
Debt Service	-	1,473	1,473
Unassigned	442,467	-	442,467
<u>Total Fund Balances</u>	<u>442,467</u>	<u>1,473</u>	<u>443,940</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 483,902</u>	<u>\$ 4,065</u>	<u>\$ 487,967</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2019

Total Fund Balances -- Governmental Funds Balance Sheet	\$	443,940
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:		
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds		29,077
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,238,840
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:		
Accrued interest payable	(4,653)	
Accrued vacation payable	(11,241)	
Note Payable	(20,000)	
Certificates of Obligation	<u>(930,000)</u>	
		(965,894)
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$32,528, a deferred resource outflow related to pension in the amount of \$38,515, and a deferred resource inflow of \$33,511. This resulted in a decrease in net position by \$27,524.		(27,524)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$4,328, a deferred resource outflow related to OPEB in the amount of \$310, and a deferred resource inflow related to OPEB in the amount of \$646. This resulted in a decrease in net position by \$5,232.		<u>(5,232)</u>
Net Position of Governmental Activities -- Statement of Net Position	\$	<u>1,713,207</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

CITY OF IDALOU
Idalou, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Property Taxes (Including Penalty & Interest)	\$ 567,661	\$ 104,589	\$ 672,250
Sales Taxes	183,965	-	183,965
Franchise Taxes	69,101	-	69,101
Municipal Court Revenue	76,778	-	76,778
Licenses & Permits	11,521	-	11,521
Interest Income	14,382	-	14,382
Intergovernmental	132,419	-	132,419
Ambulance	89,230	-	89,230
Library Revenue	3,546	-	3,546
Grant Revenues	301,664	-	301,664
Capital Contributions	27,028	-	27,028
Miscellaneous	21,000	-	21,000
<u>Total Revenues</u>	<u>1,498,295</u>	<u>104,589</u>	<u>1,602,884</u>
EXPENDITURES			
Current			
General Administration	380,600		380,600
Judicial	78,182		78,182
Public Safety - Police Department	358,025		358,025
Public Safety - Fire Department	312,492		312,492
Health and Welfare - EMS	221,686		221,686
Public Works - Street Department	29,651		29,651
Parks	174,251		174,251
Library	23,623		23,623
Debt Service			
Principal	10,000	65,000	75,000
Interest	-	38,363	38,363
<u>Total Expenditures</u>	<u>1,588,510</u>	<u>103,363</u>	<u>1,691,873</u>
Excess of Revenues Over (Under) Expenditures	(90,215)	1,226	(88,989)
OTHER FINANCING SOURCES (USES)			
Transfers In	120,000	-	120,000
<u>Total Other Financing Sources (Uses)</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net Change in Fund Balance	29,785	1,226	31,011
Fund Balance--Beginning of Year	412,682	247	412,929
<u>Fund Balance--End of Year</u>	<u>\$ 442,467</u>	<u>\$ 1,473</u>	<u>\$ 443,940</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Net Change in Fund Balances -- Total Governmental Funds		\$	31,011
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.			
			430,494
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets			
			(272,435)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.			
			(767)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:			
			75,000
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in pension expense	4,810		
Change in OPEB expense	(695)		
Change in accrued vacation payable	5,834		
Change in accrued interest payable	285		
			<u>10,234</u>
Change in Net Position -- Statement of Activities		\$	<u><u>273,537</u></u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2019

	Business-Type Activities Enterprise Funds		
	Water & Sewer Funds	Sanitation	Total
ASSETS			
<u>Current Assets:</u>			
Cash in Bank	\$ 1,741,526	\$ 328,316	\$ 2,069,842
Cash in Bank - Restricted	173,937	-	173,937
Accounts Receivable	182,912	34,566	217,478
Allowance for Uncollectible	(69,529)	(6,801)	(76,330)
<u>Total Current Assets</u>	<u>2,028,846</u>	<u>356,081</u>	<u>2,384,927</u>
<u>Noncurrent Assets:</u>			
Land	27,022	10,873	37,895
Construction in Progress	-	-	-
Buildings and Improvements, net	167,165	-	167,165
Water & Sewer System, net	1,003,076	-	1,003,076
Vehicles, Machinery, Furniture & Fixtures, net	75,979	100,837	176,816
<u>Total Noncurrent Assets</u>	<u>1,273,242</u>	<u>111,710</u>	<u>1,384,952</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,302,088</u>	<u>\$ 467,791</u>	<u>\$ 3,769,879</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	14,957	-	14,957
Deferred Outflows - OPEB	310	-	310
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 15,267</u>	<u>\$ -</u>	<u>\$ 15,267</u>
LIABILITIES & NET POSITION			
<u>Current Liabilities</u>			
Accounts Payable	\$ 2,203	\$ -	\$ 2,203
Accrued Interest Payable	2,601	-	2,601
<u>Noncurrent Liabilities</u>			
Accrued Compensation Payable	5,484	-	5,484
Customer Deposits	65,185	-	65,185
Net Pension Liability	14,040	-	14,040
Net OPEB Liability	1,649	-	1,649
Due within one year	40,000	-	40,000
Due in more than one year	480,000	-	480,000
<u>TOTAL LIABILITIES</u>	<u>611,162</u>	<u>-</u>	<u>611,162</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	13,011	-	13,011
Deferred Inflows - OPEB	646	-	646
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 13,657</u>	<u>\$ -</u>	<u>\$ 13,657</u>
NET POSITION			
Net investment in capital assets	753,242	111,710	864,952
Restricted for debt service	173,937	-	173,937
Unrestricted	1,765,357	356,081	2,121,438
<u>TOTAL NET POSITION</u>	<u>\$ 2,692,536</u>	<u>\$ 467,791</u>	<u>\$ 3,160,327</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS

For the Year Ended September 30, 2019

	Business-Type Activities Enterprise Funds		
	Water & Sewer Funds	Sanitation	Total
<u>Operating Revenues</u>			
Sales	\$ 901,773	\$ 255,637	\$ 1,157,410
Penalties	30,481	-	30,481
Tap Fees & Miscellaneous	1,706	-	1,706
<u>Total Operating Revenues</u>	<u>933,960</u>	<u>255,637</u>	<u>1,189,597</u>
<u>Operating Expenses</u>			
Cost of Sales	50,200	2,347	52,547
Salaries	167,648	11,448	179,096
Payroll Taxes	12,640	-	12,640
Retirement Costs	5,622	-	5,622
Insurance	28,551	-	28,551
Repairs & Maintenance	60,473	7,322	67,795
Vehicle Fuel & Maintenance	21,877	-	21,877
Utilities	42,583	-	42,583
Professional Services	61,379	-	61,379
Credit Card Fees	7,851	-	7,851
Other Contracted Services	57,580	216,100	273,680
Training, Travel & Meals	5,090	-	5,090
Depreciation	151,065	18,953	170,018
<u>Total Operating Expenses</u>	<u>672,559</u>	<u>256,170</u>	<u>928,729</u>
<u>Operating Income (Loss) Before Operating Transfers</u>	<u>261,401</u>	<u>(533)</u>	<u>260,868</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	38,911	-	38,911
Interest Expense	(21,331)	-	(21,331)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>17,580</u>	<u>-</u>	<u>17,580</u>
<u>Transfers and Capital Contributions:</u>			
Transfers In (Out)	(120,000)	-	(120,000)
<u>Total Transfers and Capital Contributions</u>	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
Net Income (Loss)	158,981	(533)	158,448
NET POSITION			
Net Position, Beginning of Year	2,533,555	468,324	3,001,879
Net Position, End of Year	<u>2,692,536</u>	<u>467,791</u>	<u>3,160,327</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2019

	Business-Type Activities Enterprise Funds		
	Water & Sewer Funds	Sanitation	Total
<u>Cash Flows from Operating Activities:</u>			
Receipts from Customers	\$ 927,955	\$ 256,739	\$ 1,184,694
Payments to Suppliers	(343,176)	(242,905)	(586,081)
Payments to Employees	(186,824)	(11,448)	(198,272)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>397,955</u>	<u>2,386</u>	<u>400,341</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfers	(120,000)	-	(120,000)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Fixed Assets	(117,393)	(41,890)	(159,283)
Payments on Debt Acquired for Fixed Assets	(40,000)	-	(40,000)
Interest Paid on Long-Term Debt	(21,506)	-	(21,506)
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(178,899)</u>	<u>(41,890)</u>	<u>(220,789)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Income	38,911	-	38,911
<u>Net Cash Provided by Investing Activities</u>	<u>38,911</u>	<u>-</u>	<u>38,911</u>
Net Increase (Decrease) in Cash & Cash Equivalents	137,967	(39,504)	98,463
Cash & Cash Equivalents--Beginning of Year	1,777,496	367,820	2,145,316
<u>Cash & Cash Equivalents--End of Year</u>	<u>1,915,463</u>	<u>328,316</u>	<u>2,243,779</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	261,401	(533)	260,868
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:			
Depreciation	151,065	18,953	170,018
(Increase) Decrease in Net Pension Asset/Liability	4,054	-	4,054
(Increase) Decrease in Deferred Inflows/Outflows Pension:	(6,037)	-	(6,037)
(Increase) Decrease in Net OPEB Asset/Liability	(402)	-	(402)
(Increase) Decrease in Deferred Inflows/Outflows OPEB	662	-	662
(Increase) Decrease in Receivables	(6,395)	1,102	(5,293)
Increase (Decrease) in Liabilities	(6,393)	(17,136)	(23,529)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>397,955</u>	<u>2,386</u>	<u>400,341</u>

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2019

Note A: Summary of Significant Accounting Policies

The City of Idalou, Texas (the City) operates under a mayor – council (5 council members) form of government and provides the following services: Public Safety (Police, Fire, and Ambulance), Highways and Streets, Sanitation, Public Improvements (Water and Sewer Systems), Planning and Zoning, and General Administrative Services. Volunteers staff the fire department.

The accounting and reporting policies of the City relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, if applicable. The City's financial statements include accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statement of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- The is fiscal dependency by the organization on the City

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
September 30, 2019

Note A: Summary of Significant Accounting Policies (Continued)

Based on the aforementioned criteria, the City of Idalou has a single component unit, the Idalou Economic Development Corporation (EDC). The EDC was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned a portion of its sales tax revenues to the EDC for future economic development of the City. The EDC does not issue separate financial statements. During the fiscal year ended September 30, 2019 the City allocated \$36,793 of its sales tax revenue to the EDC.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Debt Service Fund: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
September 30, 2019

Note A: Summary of Significant Accounting Policies (Continued)

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
September 30, 2019

Note A: Summary of Significant Accounting Policies--Continued

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City's restricted fund balances are made up of \$1,473 restricted for debt service.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City does not have any committed fund balances.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The District reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

3. Financial Statement Amounts

a. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of September 30, 2019, the amount deemed uncollectible by this estimate was \$10,223. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	10-40
Building Improvements	10-40
Vehicles	5-10
Office Equipment and Furniture	5-10
Computer Equipment	3

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

h. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximum depending on tenure with the City. The City's policy allows full time, permanent employees to accumulate up to 240 hours of earned but unused vacation leave. Upon separation from service in good standing employees are paid for any unused vacation leave subject to the 240 hour rule. Full time, permanent employees are allowed to accrue up to 240 hours of sick leave. Upon separation of service from the City, accrued sick leave is cancelled without compensation to the employee. For the period ended September 30, 2019, the accrued vacation and comp time payable was \$16,725.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Governmental Funds: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

j. Pensions

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

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

k. Other Post-Employment Benefits

The City provides a supplemental death benefit for retirees that is considered an other post-employment benefit (OPEB) covered by GASB No. 75. This plan benefit is administered by TMRS. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. There are no investments.

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

Note C: Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$2,837,855 and the bank balance was \$2,900,717. The City's cash deposits at September 30 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
September 30, 2019

Note C: Deposits and Investments (continued)

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

State statutes and Council policy authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The City's investments at September 30, 2019 included certificates of deposit (\$174,474), and investment pools (\$64,380).

<u>Investment Pool</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Wtd Average Maturity</u>	<u>Amount</u>
Texpool	AAAm	38 Days	\$ 64,380

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2019

Note C: Deposits and Investments (continued)

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
September 30, 2019

Note D: Capital Assets

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

<u>Governmental Activities:</u>	Balance 10-01-18	Additions	Deletions/ Reclassifications	Balance 9-30-19
Land	\$ 219,899	-	-	\$ 219,899
Infrastructure	2,144,579	-	-	2,144,579
Buildings& Improvements	1,268,943	151,985	-	1,420,928
Furniture & Equipment	1,839,755	278,509	-	2,118,264
Total Capital Assets	<u>\$ 5,473,176</u>	<u>\$ 430,494</u>	<u>\$ -</u>	<u>\$ 5,903,670</u>

Less Accumulated
Depreciation:

Infrastruture	\$ 1,144,611	\$ 115,625	-	\$ 1,260,236
Buildings& Improvements	657,365	62,874	-	720,239
Furniture & Equipment	<u>1,590,419</u>	<u>93,936</u>	<u>-</u>	<u>1,684,355</u>
Total Accumulated Depreciation	<u>\$ 3,392,395</u>	<u>\$ 272,435</u>	<u>\$ -</u>	<u>\$ 3,664,830</u>
Net Capital Assets	<u>\$ 2,080,781</u>	<u>\$ 158,059</u>	<u>\$ -</u>	<u>\$ 2,238,840</u>

<u>Water and Sewer Activities:</u>	Balance 10-01-18	Additions	Deletions/ Reclassifications	Balance 9-30-19
Land	\$ 27,022	-	-	\$ 27,022
Buildings& Improvements	218,562	-	-	218,562
Water & Sewer System	3,799,668	117,393	-	3,917,061
Vehicles, Machinery & Furniture & Fixtures	<u>695,600</u>	<u>-</u>	<u>-</u>	<u>695,600</u>
Total Capital Assets	<u>\$ 4,740,852</u>	<u>\$ 117,393</u>	<u>\$ -</u>	<u>\$ 4,858,245</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2019

Note D: Capital Assets (continued)

<u>Less Accumulated Depreciation:</u>	<u>Balance 10-01-18</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-19</u>
Buildings& Improvements	\$ 41,815	\$ 9,582	-	\$ 51,397
Water & Sewer System	2,795,119	118,866	-	2,913,985
Vehicles, Machinery & Furniture & Fixtures	<u>597,004</u>	<u>22,617</u>	<u>-</u>	<u>619,621</u>
Total Accumulated Depreciation	<u>\$ 3,433,938</u>	<u>\$ 151,065</u>	<u>\$ -</u>	<u>\$3,585,003</u>
Net Capital Assets	<u>\$ 1,306,914</u>	<u>\$ (33,672)</u>	<u>\$ -</u>	<u>\$1,273,242</u>
<u>Sanitation Activities:</u>	<u>Balance 10-01-18</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-19</u>
Land	\$ 10,873	-	-	\$ 10,873
Vehicles, Machinery & Furniture & Fixtures	<u>590,728</u>	<u>41,890</u>	<u>-</u>	<u>632,618</u>
Total Capital Assets	<u>\$ 601,601</u>	<u>\$ 41,890</u>	<u>\$ -</u>	<u>\$ 643,491</u>
<u>Less Accumulated Depreciation:</u>	<u>Balance 10-01-18</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-19</u>
Vehicles, Machinery & Furniture & Fixtures	\$ 512,828	\$ 18,953	\$ -	\$ 531,781
Total Accumulated Depreciation	<u>\$ 512,828</u>	<u>\$ 18,953</u>	<u>\$ -</u>	<u>\$ 531,781</u>
Net Capital Assets	<u>\$ 88,773</u>	<u>\$ 22,937</u>	<u>\$ -</u>	<u>\$ 111,710</u>

Depreciation was charged to functions of the primary government as follows:

General Administration	\$ 46,221
Public Safety – Police	47,360
Public Safety – Fire Department	46,934
Public Safety - EMS	5,914
Public Works – Street Department	115,625
Parks	9,072
Library	1,309
Water and Sewer	151,065
Sanitation	<u>18,953</u>
	<u>\$ 442,453</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
September 30, 2019

Note E: Interfund Balances and Activities

Interfund balances at September 30, 2019 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Component Unit	\$ -	3,127
<u>Total General Fund</u>	-	3,127
<u>Component Unit:</u>		
General Fund	3,127	-
<u>Total</u>	<u>\$ 3,127</u>	<u>\$ 3,127</u>

These interfund receivables and payables arise out of the normal course of business where the general fund is allocating sales tax revenues to the Idalou EDC. All balances are expected to be paid within one year.

Note F: Interfund Transfers

Interfund transfers for the year ended September 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Proprietary Fund	120,000	-
<u>Total General Fund</u>	120,000	-
<u>Proprietary Fund:</u>		
General Fund	-	120,000
<u>Total</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>

These interfund transfers represent cash flow transfers to the general fund in the normal course of business.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2019

Note G: Long-Term Obligations

Interest expense charged to various functions within the City government is as follows:

	<u>9/30/2018</u>	<u>9/30/2019</u>
Governmental Activities	\$ 40,292	\$ 38,078
Business-type Activities	\$ 22,694	\$ 21,331

At September 30, 2019 debt consisted of the following individual issues:

Series 2010 Revenue Certificates of Obligation are 3.5% - 4.125% interest bearing. Principal is due in annual payments on February 15 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2018 was \$1,450,000 of which \$110,000 is due within one year.

A note payable to Lubbock County dated August 6, 2016 which bears no interest. The note is due in annual installments of \$10,000. The balance at September 30, 2019 was \$20,000 of which \$10,000 is due within one year.

Revenue Certificates of Obligation

Tax and Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of tax revenues and the net revenues of the water and sewer system. The Revenue Bonds are collateralized by a debt service tax and the revenue of the water and sewer system. The City levies a debt service tax sufficient to cover 64% of the required payments. The bond ordinances provide that the revenue of the water and sewer system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The City is in compliance with all significant financial requirements as of September 30, 2019.

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. At September 30, 2019, the City had no General Obligation Bonds or Certificates of Obligation outstanding.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2019

Note G: Long-Term Obligations (continued)

Changes in long-term obligations for the year ended September 30, 2019 are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Certificates Of Obligation	\$ 995,000	\$ -	\$ 65,000	\$ 930,000	\$ 70,000
Note Payable	30,000	-	10,000	20,000	10,000
Compensated Absences	17,075	-	5,834	11,241	-
Net Pension Liability-TMRS	21,946	27,765	17,183	32,528	-
Total OPEB Liability	<u>5,394</u>	<u>-</u>	<u>1,066</u>	<u>4,328</u>	<u>-</u>
<u>Total Governmental Funds:</u>	<u>\$1,069,415</u>	<u>\$ 27,765</u>	<u>\$ 99,083</u>	<u>\$ 998,097</u>	<u>\$ 80,000</u>

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Certificates Of Obligation	\$ 560,000	\$ -	\$ 40,000	\$ 520,000	\$ 40,000
Compensated Absences	4,675	809	-	5,484	-
Net Pension Liability-TMRS	9,986	10,635	6,581	14,040	-
Total OPEB Liability	<u>2,051</u>	<u>-</u>	<u>402</u>	<u>1,649</u>	<u>-</u>
<u>Total Governmental Funds:</u>	<u>\$ 576,712</u>	<u>\$ 11,444</u>	<u>\$ 46,983</u>	<u>\$ 541,173</u>	<u>\$ 40,000</u>

The general fund is used to liquidate the governmental activities long-term debt and the water and sewer fund liquidates the business-type activities long-term debt. The annual aggregate maturities of bonds, certificates of obligation, and notes payable for the years subsequent to September 30, 2019 are as follows:

<u>Debt Service Requirements</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 80,000	\$ 36,000	\$ 40,000	\$ 20,106
2021	80,000	33,375	40,000	18,606
2022	75,000	30,475	40,000	17,006
2023	75,000	27,475	40,000	15,406
2024	80,000	24,375	45,000	13,706
2025-2029	455,000	69,734	260,000	38,494
2030	<u>105,000</u>	<u>2,166</u>	<u>55,000</u>	<u>1,134</u>
Total	<u>\$ 950,000</u>	<u>\$ 223,600</u>	<u>\$ 520,000</u>	<u>\$ 124,458</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2019

Note H: TMRS-Pension Plan

Plan Description

The City of Idalou participates as one of 887 plans in the non-traditional, 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 publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
September 30, 2019

Note H: TMRS-Pension Plan (continued)

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>14</u>
Total	28

Contributions

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

Employees for the City of Idalou were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Idalou were 4.45% and 4.35% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$26,111, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%.

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
September 30, 2019

Note H: TMRS-Pension Plan (continued)

For Cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19
September 30, 2019

Note H: TMRS-Pension Plan (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	<u>5.00%</u>	7.75%
Total	100.00%	

Discount Rate

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

Change in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at 12/31/17	\$ 562,827	\$ 530,895	\$ 31,932
Changes for the year:			
Service cost	46,621		46,621
Interest	38,110		38,110
Change of benefit terms			
Difference between expected and actual experience	(35,833)		(35,833)
Changes of assumptions	-		-
Contributions - employer		23,764	(23,764)
Contributions - employee		26,702	(26,702)
Net investment income		(15,881)	15,881
Benefit payments, including refunds of employee contributions	(43,078)	(43,078)	-
Administrative expense		(307)	307
Other changes		(16)	16
Net changes	<u>5,820</u>	<u>(8,816)</u>	<u>14,636</u>
Balance at 12/31/18	<u>\$ 568,647</u>	<u>\$ 522,079</u>	<u>\$ 46,568</u>

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20
September 30, 2019

Note H: TMRS-Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 163,632	\$ 46,568	\$ (45,149)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the city recognized pension expense of \$19,319.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 46,521
Changes in actuarial assumptions	\$ 5,990	\$ -
Difference between projected and actual investment earnings	\$ 27,719	\$ -
Contributions subsequent to the measure date December 31, 2018	\$ 19,763	\$ -
Total	\$ 53,472	\$ 46,521

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21
September 30, 2019

Note H: TMRS-Pension Plan (continued)

\$19,763 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:		
2019	\$	(2,679)
2020		(5,927)
2021		(4,973)
2022		2,345
2023		(1,578)
Thereafter		-
Total	\$	(12,812)

Note I: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.tmr.com> or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retiree is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

CITY OF IDALOU
Idalou, Texas

NOTES TO FINANCIAL STATEMENTS, Page 22
September 30, 2019

Note I: Supplemental Death Benefits Plan (continued)

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>14</u>
Total	16

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

	<u>Contribution Rates</u>	
City	<u>2018</u> 0.07%	<u>2019</u> 0.07%
Current Fiscal Year Employer Contributions	\$ 416	

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended September 30, 2019

Note I: Supplemental Death Benefits Plan (continued)

5. Actuarial Assumptions

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

Additional Actuarial Methods and Assumptions

Valuation Date	December 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount Rate*	3.71%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

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

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
Year Ended September 30, 2019

Note I: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2018, the discount rate used in the development of the Total OPEB Liability was 3.71% compared to 3.31% as of December 31, 2017. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2018.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	\$ 8,352	\$ 5,977	\$ 4,401

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2019, the City reported a liability of \$5,977 for total OPEB liability. The total OPEB liability was measured as of December 31, 2018 by an actuarial valuation as of that date.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$997.

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
Year Ended September 30, 2019

Note I: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/17	\$ 7,445
Changes for the year:	
Service cost	908
Interest	261
Change of benefit terms	
Difference between expected and actual experience	(1,721)
Changes of assumptions	(916)
Benefit payments, including refunds of employee contributions	-
Other changes	
Net changes	<u>(1,468)</u>
Balance at 12/31/18	<u>\$ 5,977</u>

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ -	\$ 1,538
Changes in actuarial assumptions	\$ 801	\$ 819
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ -
Total as of Dec. 31, 2018 measurement date	\$ 801	\$ 2,357
Contributions paid to TRS subsequent to the measurement date	\$ 316	\$ -
Total as of fiscal year-end	<u>\$ 1,117</u>	<u>\$ 2,357</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2019	\$ (172)
2020	(172)
2021	(172)
2022	(172)
2023	(172)
Thereafter	(696)

CITY OF IDALOU
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26
Year Ended September 30, 2019

Note J: Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

Note K: Risk Management

The City manages risk by purchasing commercial insurance. The City provides health insurance as a fringe benefit for full time, permanent employees through the Texas Municipal League health insurance program.

Workers compensation coverage is also provided for all employees through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of governments, hospital districts, water districts and tax appraisal districts. The Pool consists of five separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, and the Reinsurance Fund and the Stability Fund. The financial results of these coverages are accounted for in separate funds by the Pool.

The Texas Workers' Compensation Fund Joint Insurance Fund (the Workers' Compensation Fund) was created in 1974 by the Texas Municipal League. This Fund provides coverage that conforms to the workers' compensation laws of Texas. As part of the coverage, the Pool provides risk management services with emphasis on loss control.

The premiums paid for Workers' Compensation Coverage are based on estimated payroll amounts and are subject to fluctuations based upon an audit of payroll costs by the insurer. Any increase or decrease is not expected to be material to the financial statements.

For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three preceding years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDALOU
Idalou, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2019

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes (Including Penalty and Interest)	\$ 566,623	\$ 567,661	\$ 1,038
Sales Taxes	180,000	183,965	3,965
Franchise Taxes	69,000	69,101	101
Municipal Court Revenue	76,000	76,778	778
License & Permits	10,500	11,521	1,021
Interest Income	13,500	14,382	882
Intergovernmental	131,638	132,419	781
Ambulance	86,000	89,230	3,230
Library Revenue	3,200	3,546	346
Grant Revenues	300,000	301,664	1,664
Capital Contributions	26,750	27,028	278
Miscellaneous	20,000	21,000	1,000
<u>Total Revenues</u>	<u>1,483,211</u>	<u>1,498,295</u>	<u>15,084</u>
<u>Expenditures</u>			
Current			
General Administration	381,140	380,600	540
Judicial	78,849	78,182	667
Public Safety - Police Department	358,752	358,025	727
Public Safety - Fire Department	312,804	312,492	312
Health and Welfare - EMS	222,771	221,686	1,085
Public Works - Street Department	31,500	29,651	1,849
Parks	175,250	174,251	999
Library	24,145	23,623	522
Debt Service			
Principal	10,000	10,000	-
Interest	-	-	-
<u>Total Expenditures</u>	<u>1,595,211</u>	<u>1,588,510</u>	<u>6,701</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	112,000	120,000	8,000
<u>Total Other Financing Sources (Uses)</u>	<u>112,000</u>	<u>120,000</u>	<u>8,000</u>
<u>Ex(Over (Under) Expenditures and Other Uses</u>	-	29,785	29,785
Fund Balance, Beginning of Year	412,682	412,682	-
<u>Fund Balance, End of Year</u>	<u>\$ 412,682</u>	<u>\$ 442,467</u>	<u>\$ 29,785</u>

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 46,621	\$ 49,071	\$ 50,244	\$ 48,215	\$ 44,756
Interest (on the Total Pension Liability)	38,110	34,932	30,296	26,672	23,541
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(35,833)	(13,344)	(5,326)	(20,549)	(12,462)
Change of assumptions	-	-	-	21,066	-
Benefit payments, including refunds of employee contributions	(43,078)	(1,618)	(10,274)	(6,966)	(18,704)
Net change in Total Pension Liability	5,820	69,041	64,940	68,438	37,131
Total Pension Liability - Beginning	562,827	493,786	428,846	360,408	323,277
Total Pension Liability - Ending (a)	\$ 568,647	\$ 562,827	\$ 493,786	\$ 428,846	\$ 360,408
Plan Fiduciary Net Position					
Contributions - employer	23,764	26,249	22,764	22,486	15,206
Contributions - employee	26,702	28,105	28,069	28,462	28,056
Net investment income	(15,881)	58,237	24,036	460	15,564
Benefit payments, including refunds of employee contributions	(43,078)	(1,618)	(10,274)	(6,966)	(18,704)
Administrative expense	(307)	(302)	(272)	(280)	(162)
Other	(16)	(15)	(15)	(14)	(13)
Net Change in Plan Fiduciary Net Position	(8,816)	110,656	64,308	44,148	39,947
Plan Fiduciary Net Position - Beginning	530,895	420,239	355,931	311,783	271,836
Plan Fiduciary Net Position - Ending (b)	\$ 522,079	\$ 530,895	\$ 420,239	\$ 355,931	\$ 311,783
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 46,568	\$ 31,932	\$ 73,547	\$ 72,915	\$ 48,625
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.81%	94.33%	85.11%	83.00%	86.51%
Covered Employee Payroll	\$ 534,033	\$ 562,100	\$ 561,389	\$ 569,245	\$ 561,123
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	8.72%	5.68%	13.10%	12.81%	8.67%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION
(unaudited)

	Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 26,111	\$ 24,125	\$ 25,164	\$ 23,131	\$ 21,227
Contributions in relation to the actuarially determined contribution	<u>26,111</u>	<u>24,125</u>	<u>25,164</u>	<u>23,131</u>	<u>21,227</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 596,868	\$ 535,030	\$ 556,962	\$ 573,832	\$ 579,580
Contributions as a percentage of covered employee payroll	4.37%	4.51%	4.52%	4.03%	3.66%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year	
	2018	2017
Total OPEB Liability		
Service Cost	\$ 908	\$ 843
Interest (on the Total OPEB Liability)	261	219
Changes of benefit terms	-	-
Difference between expected and actual experience	(1,721)	-
Change of assumptions	(916)	1,017
Benefit payments, including refunds of employee contributions	-	-
Net change in Total OPEB Liability	(1,468)	2,079
Total OPEB Liability - Beginning	7,445	5,366
Total OPEB Liability - Ending	<u>\$ 5,977</u>	<u>\$ 7,445</u>
 Covered Employee Payroll	 \$ 534,033	 \$ 562,100
 Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	 1.12%	 1.32%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB
(*unaudited*)

	Fiscal Year	
	2019	2018
Actuarially Determined Contribution	\$ 416	\$ 389
Contributions in relation to the actuarially determined contribution	<u>416</u>	<u>389</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 596,868	\$ 535,030
Contributions as a percentage of covered employee payroll	0.0697%	0.0727%

The accompanying notes are an integral part of this statement.

CITY OF IDALOU
Idalou, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2019

Schedule of Pension Contributions – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

CITY OF IDALOU
Idalou, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2019

Schedule of Contributions for OPEB – TMRS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.50% to 10.5% including inflation

Discount Rate*

3.71%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through a Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates – service retirees

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

Mortality rates – disabled retirees

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

OTHER SUPPLEMENTARY INFORMATION

CITY OF IDALOU
Idalou, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2019

Years Ended September 30	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Balance 10/01/18	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/19
2010 and prior	\$ --	\$ --	\$ 7,921	\$ -	\$ 398	\$ -	\$ 7,523
2011			1,574	-	180	-	1,394
2012			1,825	-	208	(279)	1,338
2013			1,846	-	208	(279)	1,359
2014			1,643	-	39	(279)	1,325
2015	0.585820	94,084,019	2,128	-	241	(291)	1,596
2016	0.608170	97,191,904	2,851	-	378	(213)	2,260
2017	0.608170	101,034,579	6,244	-	2,634	(212)	3,398
2018	0.608170	103,780,357	12,622	-	6,669	(243)	5,710
2019	0.608170	109,290,823	-	664,674	649,386	(1,892)	13,396
		<u>Totals</u>	<u>\$ 38,654</u>	<u>\$ 664,674</u>	<u>\$ 660,341</u>	<u>\$ (3,688)</u>	<u>\$ 39,299</u>

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Randel J. Terry, CPA

Ryan R. King, CPA

Independent Auditors' Report

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 Honorable Mayor and City Council
City of Idalou
P.O. Box 1277
Idalou, Texas 79329

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Idalou's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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



Independent Auditors' Report
Page 2

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

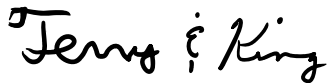
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Idalou's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
November 22, 2019