

CITY OF IOWA PARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019



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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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Financial Section



Independent Auditor's Report on Financial Statements

City Council
City of Iowa Park, Texas
103 N. Wall St.
Iowa Park, Texas 76367

Members of the City Council:

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 units, each major fund, and the aggregate remaining fund information of the City of Iowa Park, 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 units, each major fund, and the aggregate remaining fund information of the City of Iowa Park, 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.

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 Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, and Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 3 through 10 and 42 through 46 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, on our consideration of the City of Iowa Park, Texas' 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 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 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 Iowa Park, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.
February 20, 2020



City of Iowa Park

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MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Iowa Park, Texas, we offer readers of the City’s Annual Financial Report this narrative overview and analysis of the City’s financial performance during the fiscal year ended September 30, 2019 . Please read it in conjunction with the City’s financial statements, which follow this section.

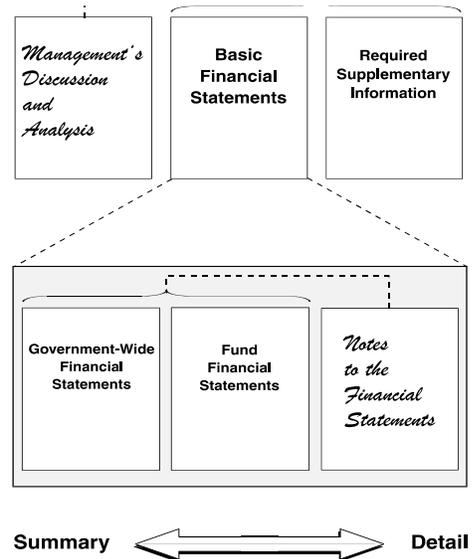
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,518,944 (net position). Of this amount, \$4,193,401 (unrestricted net position) may be used to meet the City’s obligations.
- During the year, the City’s total net position increased by \$290,582.
- The governmental fund reported a fund balance this year of \$2,883,298, which is an increase of \$168,572 in comparison with the prior year amount. \$2,401,076, or 85%, of this amount is available for spending at the government’s discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,401,076, or 63% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City’s Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Agency’s government (except fiduciary funds) and the Agency’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses - the water and sewer system
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position - the difference between the City’s assets and liabilities - is one way to measure the City’s financial health or *position*.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities*. Most of the City’s basic services are included here, such as the fire, police, street department, sanitation, parks services, library, animal control, and general administration.
- *Business-type activities*. The City charges fees to customers to help it cover the cost of certain services it provides. The City’s water and sewer system are included here.
- *Component Units*. The City includes two other entities in its report - the Iowa Park 4A Development Corporation and the Iowa Park 4B Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's proprietary funds are the same as its business-type activities, but provide more detail and information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$14,518,944 at September 30, 2019. (See Table A-1)

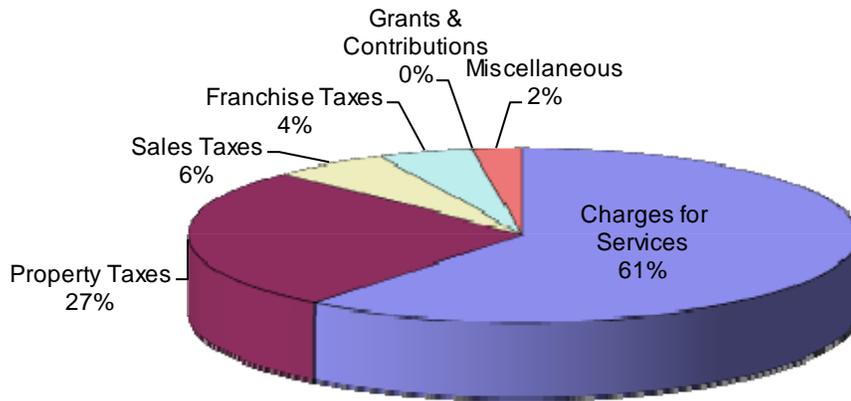
The \$4,193,401 of unrestricted net position at September 30, 2019 represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources.

Table A-1
City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,497,326	\$ 3,307,689	\$ 4,055,890	\$ 3,779,438	\$ 7,553,216	\$ 7,087,127
Capital assets, net	4,385,829	4,701,590	7,696,668	7,830,215	12,082,497	12,531,805
Total assets	7,883,155	8,009,279	11,752,558	11,609,653	19,635,713	19,618,932
Deferred outflows of resources	476,708	169,548	268,385	152,290	745,093	321,838
Current liabilities	265,756	200,871	501,096	501,403	766,852	702,274
Noncurrent liabilities	2,160,935	1,796,878	2,854,893	2,968,836	5,015,828	4,765,714
Total liabilities	2,426,691	1,997,749	3,355,989	3,470,239	5,782,680	5,467,988
Deferred inflows of resources	52,848	160,251	26,334	84,169	79,182	244,420
Net investment in capital assets	3,659,154	3,847,738	5,484,467	5,316,481	9,143,621	9,164,219
Restricted	737,299	734,559	444,623	479,537	1,181,922	1,214,096
Unrestricted	1,483,871	1,438,530	2,709,530	2,411,517	4,193,401	3,850,047
Total net position	\$ 5,880,324	\$ 6,020,827	\$ 8,638,620	\$ 8,207,535	\$ 14,518,944	\$ 14,228,362

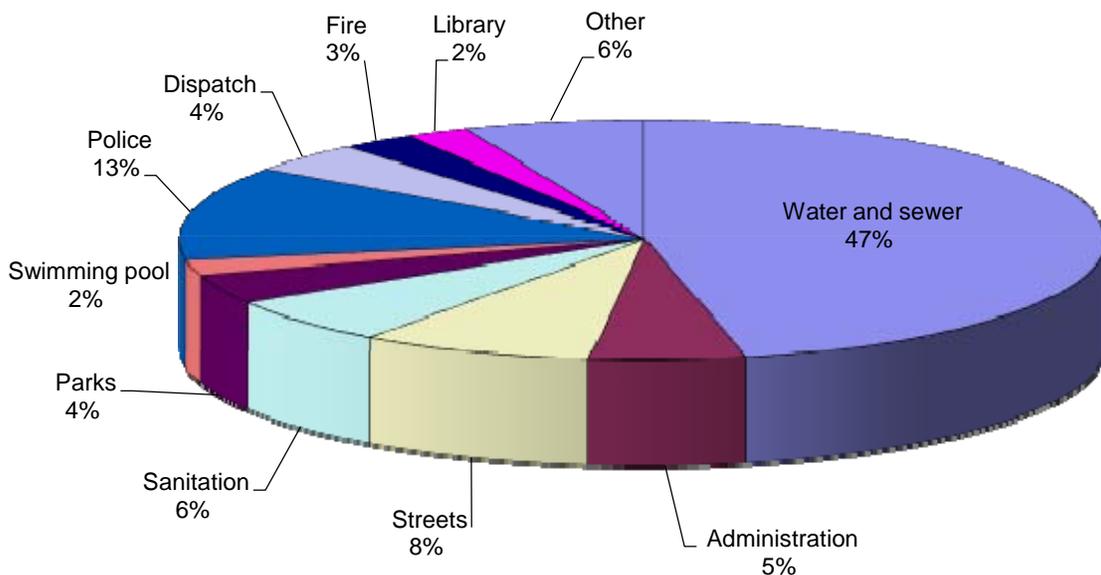
Changes in net position. The City's total revenues, both program and general, were \$7,864,510. A significant portion, 61%, of the City's revenue comes from charges for services. (See Figure A-3.) 27% comes from property taxes, 6% from sales taxes, and 4% from franchise taxes. Other minor categories combined make up approximately 2% of the City's total revenues.

**Figure A-3
Sources of Revenue for Fiscal Year 2019**



The total cost of all programs and services was \$7,573,928. The City's expenses cover a range of services, with 47% for water and sewer related expenses, 13% for the police department, 8% for streets, 6% for sanitation, and 5% for administration. The other minor categories make up the remaining 21%.

**Figure A-4
Functional Expenses for Fiscal Year 2019**



Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

Table A-2
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 873,098	\$ 798,553	\$ 3,896,855	\$ 4,286,151	\$ 4,769,953	\$ 5,084,704
Operating grants and contributions	70,646	62,285	18,488	19,275	89,134	81,560
Capital grants and contributions	8,835	375,384	-	-	8,835	375,384
General revenues:						
Property taxes	2,098,046	2,069,875	-	-	2,098,046	2,069,875
Sales taxes	445,703	432,645	-	-	445,703	432,645
Franchise taxes	361,792	356,313	-	-	361,792	356,313
Investment earnings	49,652	16,225	35,340	13,801	84,992	30,026
Gain(loss) on sale of assets	(4,152)	-	(193)	284	(4,345)	284
Miscellaneous	10,400	10,750	-	-	10,400	10,750
Transfers	-	-	-	-	-	-
Total revenues	<u>3,914,020</u>	<u>4,122,030</u>	<u>3,950,490</u>	<u>4,319,511</u>	<u>7,864,510</u>	<u>8,441,541</u>
Expenses						
Administration	413,028	402,023	-	-	413,028	402,023
Public works	51,399	49,672	-	-	51,399	49,672
Code enforcement	57,603	59,595	-	-	57,603	59,595
Streets	614,440	489,953	-	-	614,440	489,953
Sanitation	471,541	450,368	-	-	471,541	450,368
Parks	299,105	300,820	-	-	299,105	300,820
Swimming pool	153,814	130,517	-	-	153,814	130,517
Police	954,934	893,742	-	-	954,934	893,742
Dispatch	311,336	293,332	-	-	311,336	293,332
Animal control	134,155	87,007	-	-	134,155	87,007
Municipal court	92,237	71,631	-	-	92,237	71,631
Fire	194,284	191,568	-	-	194,284	191,568
Library	166,127	157,471	-	-	166,127	157,471
RAC - Youth Center	17,467	14,038	-	-	17,467	14,038
Economic development	100,216	91,835	-	-	100,216	91,835
Interest and fee on long-term debt	22,837	22,568	-	-	22,837	22,568
Water and sewer	-	-	3,519,405	3,941,118	3,519,405	3,941,118
Total expenses	<u>4,054,523</u>	<u>3,706,140</u>	<u>3,519,405</u>	<u>3,941,118</u>	<u>7,573,928</u>	<u>7,647,258</u>
Increase (decrease) in net position	<u>\$ (140,503)</u>	<u>\$ 415,890</u>	<u>\$ 431,085</u>	<u>\$ 378,393</u>	<u>\$ 290,582</u>	<u>\$ 794,283</u>

Explanations for large and/or unusual variances between 2018 and 2019 are as follows:

- Charges for services decreased by \$314,751, or 6%, primarily due to the decrease in water rates for the year. Water and sewer expenses decreased by \$421,713, or 11%, due to the decrease in the water rates for water purchased from the City of Wichita Falls during the year, as well.
- Capital grants and contributions decreased by \$366,549, or 98%. In 2018, the Iowa Park 4B Community Development Corporation made significant contributions to the City for improvements to the swimming pool and construction of a new animal shelter. There were no such large contributions in 2019.

- Street department expenses increased by \$124,487, or 25%, primarily due to significant street repair and maintenance projects in the current fiscal year.

Table A-3 presents the net cost of the City's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4,054,523; however, the amount that our taxpayers paid for these activities through property taxes was only \$2,098,046.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$873,098.

**Table A-3
Net Cost of Governmental Activities**

	2019	Percent	2018	Percent
Administration	\$ 343,990	11%	\$ 347,383	14%
Public works	51,399	2%	49,672	2%
Code enforcement	29,011	1%	34,647	1%
Streets	559,971	18%	370,204	15%
Sanitation	(44,631)	-1%	(36,963)	-1%
Parks	279,756	9%	293,007	12%
Swimming pool	84,411	3%	(32,610)	-1%
Police	951,820	31%	877,982	36%
Dispatch	311,336	10%	293,332	12%
Animal control	132,766	4%	(119,201)	-5%
Municipal court	1,155	0%	7,631	0%
Fire	142,784	5%	152,083	6%
Library	161,459	5%	149,020	6%
RAC - Youth Center	17,467	0%	14,038	1%
Economic development	66,216	2%	57,835	2%
Interest and fees	13,034	0%	11,858	0%
Total government activities	<u>\$ 3,101,944</u>	<u>100%</u>	<u>\$ 2,469,918</u>	<u>100%</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously stated, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

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

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$2,883,298, \$2,401,076 of which was unassigned. Of the remaining, \$400,945 is restricted for drainage improvement, \$19,063 is restricted for Municipal Court, \$6,041 is restricted for police, and \$56,173 has been committed for specific projects by the City Council. The unassigned fund balance represents 63% of the total General Fund expenditures for the year ended September 30, 2019. The fund balance increased \$168,572 in the current fiscal year.

General Fund revenues totaled \$3,974,659, a decrease of \$201,445, or 5%, from the preceding year.

General Fund expenditures totaled \$3,806,087, a decrease of \$396,028, or 9%, from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget one time. With these adjustments, actual expenditures were \$61,763 under final budget amounts. The least favorable expenditure variances are in the police and sanitation departments, which are \$25,767 and \$31,541 over budget, respectively. The Police Department's salaries and wages exceeded budgeted amounts as staff needs for the department were higher than anticipated. The Sanitation department expenditures were over budget primarily due to an increase in rates charged by the sub-contractor. In turn, the City increased the customer's rates for solid waste collections, resulting in a positive revenue budget variance. The most favorable expenditure variance is in the streets department, which was \$94,915 below budget, as the City did not complete all budgeted street projects during the year.

Revenues were \$106,809 above the final budgeted amount, which is primarily attributable to an increase in solid waste collections rates as discussed above, as well as higher than expected ad valorem tax collections and fines and forfeitures revenues. Those three departments saw favorable revenue variances of \$26,644, \$19,814, and \$19,825, respectively.

As noted, the original budget was amended during the year. Most budget line items in the original budget were not materially different than in the final adopted budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the City had invested in a broad range of capital assets totaling \$12,082,497, net of accumulated depreciation, including buildings, systems, equipment, and construction in progress. (See Table A-4.)

Table A-4
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 112,438	\$ 112,438	\$ 631,320	\$ 631,320	\$ 743,758	\$ 743,758
CIP	20,141	10,856	111,470	-	131,611	10,856
Buildings and improvements	1,685,547	1,979,632	133,813	144,481	1,819,360	2,124,113
System improvements	-	-	6,580,282	6,830,632	6,580,282	6,830,632
Machinery and equipment	1,195,071	1,394,368	239,783	223,782	1,434,854	1,618,150
Infrastructure	1,372,632	1,204,296	-	-	1,372,632	1,204,296
Totals	<u>\$ 4,385,829</u>	<u>\$ 4,701,590</u>	<u>\$ 7,696,668</u>	<u>\$ 7,830,215</u>	<u>\$ 12,082,497</u>	<u>\$ 12,531,805</u>

Capital assets, net of accumulated depreciation, decreased \$449,308, or 3% from the previous year. Additional information about the City's capital assets is presented in the notes to the financial statements.

Long-term Debt

At September 30, 2019, the City had \$3,110,926 in long-term liabilities outstanding as shown in Table A-5 below.

Table A-5
Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Certificates of obligation	\$ -	\$ -	\$ 430,000	\$ 465,000	\$ 430,000	\$ 465,000
General obligation refunding	311,250	357,750	1,763,750	2,027,250	2,075,000	2,385,000
Premium on general obligation refunding	16,436	19,138	91,780	106,867	108,216	126,005
Capital lease	411,929	492,032	-	-	411,929	492,032
Compensated absences	56,893	59,633	28,888	26,204	85,781	85,837
Totals	<u>\$ 796,508</u>	<u>\$ 928,553</u>	<u>\$ 2,314,418</u>	<u>\$ 2,625,321</u>	<u>\$ 3,110,926</u>	<u>\$ 3,553,874</u>

Additional information about the City's long-term liabilities outstanding is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2019-2020 budget preparation is \$213,787,311, up \$12,525,344, or 6.2% from last year's values.

These indicators were taken into account when adopting the General Fund budget for 2019-2020. Revenues in the General Fund budget are \$4,275,690, an increase of 9.5% from the final 2018-2019 budget of \$3,867,850.

General Fund expenditures are budgeted to increase 12.73% to \$4,275,690 from final 2018-2019 actual expenditures of \$3,806,087.

If these estimates are realized, the City's budgetary General Fund's fund balance is not expected to change by the end of fiscal year 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Director at 103 North Wall Street, Iowa Park, Texas 76367.

Basic Financial Statements

CITY OF IOWA PARK, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,919,106	\$ 2,534,346	\$ 4,453,452
Investments	1,038,576	634,785	1,673,361
Receivables, net of allowances for uncollectibles:			
Property taxes	16,466	-	16,466
Sales taxes	87,105	-	87,105
Customer accounts	79,873	450,773	530,646
Municipal court	22,915	-	22,915
Grants	8,000	-	8,000
Other	18,784	1,237	20,021
Note receivable	-	-	-
Note receivable from component unit	311,250	430,000	741,250
Internal balances	(4,749)	4,749	-
Land held for sale	-	-	-
Capital assets, net of accumulated depreciation	4,385,829	7,696,668	12,082,497
Total assets	<u>7,883,155</u>	<u>11,752,558</u>	<u>19,635,713</u>
Deferred outflows of resources:			
Deferred loss on early retirement	12,940	73,329	86,269
Deferred outflows of resources from pensions	415,267	173,580	588,847
Deferred outflows of resources from OPEB	48,501	21,476	69,977
Total deferred outflows of resources	<u>476,708</u>	<u>268,385</u>	<u>745,093</u>
Liabilities:			
Accounts payable	184,427	182,431	366,858
Accrued payroll	62,668	26,456	89,124
Customer deposits	-	258,026	258,026
Other accrued liabilities	7,748	1,659	9,407
Accrued interest payable	10,913	32,524	43,437
Long-term liabilities:			
Accrued compensated absences	56,893	28,888	85,781
Net pension liability	1,216,278	474,876	1,691,154
Total OPEB liability	148,149	65,599	213,748
Portion due or payable within one year	132,437	317,837	450,274
Portion due or payable after one year	607,178	1,967,693	2,574,871
Total liabilities	<u>2,426,691</u>	<u>3,355,989</u>	<u>5,782,680</u>
Deferred inflows of resources:			
Deferred inflows of resources from pensions	52,289	26,067	78,356
Deferred inflows of resources from OPEB	559	267	826
Total deferred inflows of resources	<u>52,848</u>	<u>26,334</u>	<u>79,182</u>
Net position:			
Net investment in capital assets	3,659,154	5,484,467	9,143,621
Restricted for:			
Debt service	311,250	444,623	755,873
Drainage improvements	400,945	-	400,945
Municipal court	19,063	-	19,063
Police	6,041	-	6,041
Unrestricted	1,483,871	2,709,530	4,193,401
Total net position	<u>\$ 5,880,324</u>	<u>\$ 8,638,620</u>	<u>\$ 14,518,944</u>

EXHIBIT A-1

Component Units	
Iowa Park 4A Economic Development Corporation	Iowa Park 4B Community Development Corporation
\$ 161,874	\$ 110,985
394,523	146,444
-	-
43,553	43,553
-	-
-	-
-	-
285,500	-
-	-
-	-
68,217	-
46,828	-
<u>1,000,495</u>	<u>300,982</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
35,000	47,250
395,000	264,000
<u>430,000</u>	<u>311,250</u>
-	-
-	-
-	-
46,828	-
-	-
-	-
-	-
523,667	(10,268)
<u>\$ 570,495</u>	<u>\$ (10,268)</u>

CITY OF IOWA PARK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Administration	\$ 413,028	\$ 36,526	\$ 32,512	\$ -
Public works	51,399	-	-	-
Code enforcement	57,603	28,592	-	-
Streets	614,440	54,469	-	-
Sanitation	471,541	516,172	-	-
Parks	299,105	-	10,514	-
Swimming pool	153,814	69,403	-	8,835
Police	954,934	1,804	1,310	-
Dispatch	311,336	-	-	-
Animal control	134,155	1,379	10	-
Municipal court	92,237	91,082	-	-
Fire	194,284	39,125	12,375	-
Library	166,127	546	4,122	-
RAC - Youth Center	17,467	-	-	-
Economic development	100,216	34,000	-	-
Interest and fees on long-term debt	22,837	-	9,803	-
Total governmental activities	4,054,523	873,098	70,646	8,835
Business-type activities:				
Water and sewer	3,519,405	3,896,855	18,488	-
Total business-type activities	3,519,405	3,896,855	18,488	-
Total primary government	\$ 7,573,928	\$ 4,769,953	\$ 89,134	\$ 8,835
Component units:				
4A Development Corporation	\$ 383,579	\$ -	\$ -	\$ -
4B Development Corporation	67,970	-	-	-
Total component units	\$ 451,549	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Investment earnings				
Loss on sale of assets				
Miscellaneous				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Units	
			Iowa Park 4A Economic Development Corporation	Iowa Park 4B Community Development Corporation
\$ (343,990)	\$ -	\$ (343,990)	\$ -	\$ -
(51,399)	-	(51,399)	-	-
(29,011)	-	(29,011)	-	-
(559,971)	-	(559,971)	-	-
44,631	-	44,631	-	-
(288,591)	-	(288,591)	-	-
(75,576)	-	(75,576)	-	-
(951,820)	-	(951,820)	-	-
(311,336)	-	(311,336)	-	-
(132,766)	-	(132,766)	-	-
(1,155)	-	(1,155)	-	-
(142,784)	-	(142,784)	-	-
(161,459)	-	(161,459)	-	-
(17,467)	-	(17,467)	-	-
(66,216)	-	(66,216)	-	-
(13,034)	-	(13,034)	-	-
<u>(3,101,944)</u>	<u>-</u>	<u>(3,101,944)</u>	<u>-</u>	<u>-</u>
-	395,938	395,938	-	-
-	395,938	395,938	-	-
<u>(3,101,944)</u>	<u>395,938</u>	<u>(2,706,006)</u>	<u>-</u>	<u>-</u>
-	-	-	(383,579)	-
-	-	-	-	(67,970)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(383,579)</u>	<u>(67,970)</u>
2,098,046	-	2,098,046	-	-
445,703	-	445,703	222,852	222,852
361,792	-	361,792	-	-
49,652	35,340	84,992	9,229	2,661
(4,152)	(193)	(4,345)	-	-
10,400	-	10,400	-	-
<u>2,961,441</u>	<u>35,147</u>	<u>2,996,588</u>	<u>232,081</u>	<u>225,513</u>
(140,503)	431,085	290,582	(151,498)	157,543
6,020,827	8,207,535	14,228,362	721,993	(167,811)
<u>\$ 5,880,324</u>	<u>\$ 8,638,620</u>	<u>\$ 14,518,944</u>	<u>\$ 570,495</u>	<u>\$ (10,268)</u>

CITY OF IOWA PARK, TEXAS

BALANCE SHEET - GOVERNMENTAL FUND

SEPTEMBER 30, 2019

	General Fund
Assets:	
Cash and cash equivalents	\$ 1,919,106
Investments	1,038,576
Receivables, net of allowances for uncollectibles:	
Property taxes	16,466
Sales taxes	87,105
Customer accounts	79,873
Municipal court	22,915
Grants	8,000
Other	18,784
	<u> </u>
Total assets	<u>\$ 3,190,825</u>
Liabilities:	
Accounts payable	\$ 184,427
Accrued payroll	62,668
Other accrued payables	7,748
Due from other funds	4,749
Total liabilities	<u>259,592</u>
Deferred inflows of resources:	
Unavailable revenue	<u>47,935</u>
Fund balances:	
Restricted for:	
Drainage improvements	400,945
Municipal court	19,063
Police	6,041
Committed for:	
Risk management	22,426
Infrastructure	32,226
Other projects	1,521
Unassigned	2,401,076
Total fund balances	<u>2,883,298</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,190,825</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total fund balance - governmental fund balance sheet (Exhibit A-3) \$ 2,883,298

Amounts reported for governmental activities in the statement of net position
(Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. Capital assets at year-end
consist of:

Gross capital assets	\$ 8,461,474	
Related accumulated depreciation	<u>(4,075,645)</u>	4,385,829

Accounts receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		47,935
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The City's proportionate share of net pension liability as well as pension-
related deferred outflows of resources are recognized in the government-
wide statements and include:

Net pension liability	(1,216,278)	
Deferred outflows of resources from pensions	415,267	
Deferred inflows of resources from pensions	<u>(52,289)</u>	(853,300)

The City's total OPEB liability as well as OPEB-related deferred outflows
of resources are recognized in the government-wide statements and include:

Total OPEB liability	(148,149)	
Deferred outflows of resources from OPEB	48,501	
Deferred inflows of resources from OPEB	<u>(559)</u>	(100,207)

Some long-term liabilities and related assets are not due and payable
in the current period and therefore are not reported in the funds.

Those assets and liabilities at year-end consist of:

Note receivable from component unit	311,250	
Bonds payable	(311,250)	
Premium on debt	(16,436)	
Capital Leases	(411,929)	
Accrued compensated absences	(56,893)	
Accrued interest	(10,913)	
Deferred loss on early retirement	<u>12,940</u>	<u>(483,231)</u>

Net position of governmental activities - statement of net position (Exhibit A-1)		<u><u>\$ 5,880,324</u></u>
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The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund
Revenue:	
Ad valorem taxes	\$ 2,096,184
Franchise taxes	361,792
City sales taxes	445,703
Charges for services	662,114
Licenses and permits	33,500
Fines and forfeitures	90,175
Revenue from use of money and property	58,185
Intergovernmental revenues	13,685
Other revenues	213,321
Total revenues	<u>3,974,659</u>
Expenditures:	
Administration	420,822
Public works	50,820
Code enforcement	53,382
Streets	509,485
Sanitation	471,541
Parks	288,115
Swimming pool	120,962
Police	901,952
Dispatch	300,162
Animal control	88,799
Municipal court	90,931
Fire	96,624
Library	152,462
RAC - Youth Center	11,770
Economic development	96,907
Debt service:	
Principal	126,603
Interest and fiscal charges	24,750
Total expenditures	<u>3,806,087</u>
Surplus of revenues over expenditures	<u>168,572</u>
Change in fund balance	168,572
Fund balance - beginning	2,714,726
Fund balance - ending	<u>\$ 2,883,298</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balance - total governmental fund (Exhibit A-5) \$ 168,572

Amounts reported for governmental activities in the statement of activities (Exhibit A-2)
are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 161,264	
Depreciation expense for the year	(461,544)	(300,280)

Proceeds from the sale of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed. (15,481)

Because accounts receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 1,342

The commitment from the component unit to provide funding in the future does not provide a current financial resource, but payments made under that commitment do provide a current resource. The City received this payment this year. (46,500)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. This adjustment is a combination of five items.

Compensated absences	2,740	
Amortization of advanced refunding difference	(2,128)	
Amortization of bond premium	2,701	
Accrued interest	1,339	4,652

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of these transactions are as follows:

Repayment of long-term debt	126,603	126,603

Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is: (63,958)

Changes in the total OPEB liability and related deferred outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is: (15,453)

Change in net position of governmental activities - statement of activities (Exhibit A-2) \$ (140,503)

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS
STATEMENT OF NET POSITION
ENTERPRISE FUND
SEPTEMBER 30, 2019

	Utility Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,534,346
Investments	634,785
Customer accounts receivable	450,773
Other receivables	1,237
Total current assets	<u>3,621,141</u>
Noncurrent assets:	
Note receivable from component unit	430,000
Capital assets, net of accumulated depreciation	7,696,668
Total noncurrent assets	<u>8,126,668</u>
Total assets	<u>11,747,809</u>
Deferred outflows of resources:	
Deferred loss on early retirement	73,329
Deferred outflows of resources from pensions	173,580
Deferred outflows of resources from OPEB	21,476
Total deferred outflows of resources	<u>268,385</u>
Total assets and deferred outflows of resources	<u>\$ 12,016,194</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 182,431
Accrued payroll	26,456
Customer deposits	258,026
Other accrued liabilities	1,659
Accrued interest payable	32,524
Due to other funds	(4,749)
Total current liabilities	<u>496,347</u>
Long-term liabilities:	
Accrued compensated absences	28,888
Net pension liability	474,876
Total OPEB liability	65,599
Portion due within one year	317,837
Portion due after one year	1,967,693
Total long-term liabilities	<u>2,854,893</u>
Total liabilities	<u>3,351,240</u>
Deferred inflows of resources:	
Deferred inflows of resources from pensions	26,067
Deferred inflows of resources from OPEB	267
Total deferred inflows of resources	<u>26,334</u>
Net position:	
Invested in capital assets, net of related debt	5,484,467
Restricted for:	
Debt service	444,623
Unrestricted	2,709,530
Total net position	<u>8,638,620</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,016,194</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Utility Fund
Operating revenues:	
Water	\$ 3,094,001
Sewer	621,412
Tap fees	6,700
Contact fees	65,790
Other	108,952
Total operating revenues	<u>3,896,855</u>
Operating expenses:	
Administrative and support services	1,080,858
Water treatment and distribution	1,770,838
Sewer collection and treatment	264,786
Depreciation and amortization	333,871
Total operating expenses	<u>3,450,353</u>
Operating income	<u>446,502</u>
Nonoperating revenue (expense):	
Interest revenue	35,340
Other revenue	18,488
Bond interest expense	(69,052)
Loss on sale of assets	(193)
Total nonoperating revenue (expense)	<u>(15,417)</u>
Change in net position	431,085
Net position - beginning	<u>8,207,535</u>
Net position - ending	<u>\$ 8,638,620</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Utility Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,888,597
Cash payments to employees for services	(519,969)
Cash payments to other suppliers for goods and services	(2,595,011)
Net cash provided by operating activities	<u>773,617</u>
Cash flows from non-capital financing activities:	
Payment on interfund loans	(104,998)
Net cash used by non-capital financing activities	<u>(104,998)</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(298,500)
Principal and interest received on note from component unit	53,488
Interest and paying agent fees paid on long-term debt	(74,036)
Acquisition of capital assets	(200,537)
Proceeds from sale of capital assets	20
Net cash used by capital and related financing activities	<u>(519,565)</u>
Cash flows from investing activities:	
Purchase of investments	(22,420)
Interest earned	35,340
Net cash provided by investing activities	<u>12,920</u>
Net increase in cash and cash equivalents	161,974
Cash and cash equivalents - beginning	2,372,105
Cash and cash equivalents - ending	<u>\$ 2,534,079</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 446,502
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	333,871
Donated capital assets	
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(21,476)
Other receivables	(317)
Deferred outflows of resources from pensions	(110,097)
Deferred outflows of resources from OPEB	(18,052)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	(14,463)
Accrued liabilities	20
Accrued payroll	2,552
Customer deposits	13,535
Accrued compensated absences	2,684
Net pension liability	171,769
Total OPEB liability	25,191
Deferred inflows of resources from pensions	(58,102)
Net cash provided by operating activities	<u>\$ 773,617</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Iowa Park, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, include whether:

- the organization is legally separate (can sue and be sued in its 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
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data presented by the City. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City. Each blended and discretely presented component unit has a September 30th year end.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Discretely Presented Component Units

The Iowa Park 4A Economic Development Corporation is a non-profit corporation formed in March 2003 for the purpose of promoting economic development for the City in order to retain and expand existing business, expand and diversify the tax base of the City, attract new business and investment to the City, enhance existing job opportunities, create new job opportunities, and improve the quality of life and environment for the citizens of the City. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A and utilizes modified accrual basis of accounting. The Iowa Park 4A Economic Development Corporation is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

The Iowa Park 4B Community Development Corporation is a non-profit corporation formed in March 2003 for the purpose of promoting or developing new or expanding business enterprises, parks, and other community projects. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B and utilizes modified accrual basis of accounting. The Iowa Park 4B Community Development Corporation is considered to be a part of the City's

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations. See note M "Related Party Transactions" for a discussion of transactions with the City in 2019.

Excluded from Reporting Entity

The activities of the Firemen's Relief and Retirement Fund, in the City's professional judgment, are not a part of the City and thus are excluded from the accompanying financial statements. The Iowa Park Firemen's Relief and Retirement Fund is established and controlled through various state of Texas legislative enactments. This Fund is administered locally by a Board, independent of the City Council. City management and the City Council do not influence or control the administration and financial affairs of the Fund, and the net position of the Fund are not the property of the City.

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 double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Additionally, the City has a Debt Service Fund that is used to service the City's debt.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund accounts for water and sewer services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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. Revenue from grants, entitlements, and donations is 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 the 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 asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 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 1 of the year following the year in which imposed. On January 1 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 within the General Fund are based upon historical experience in collecting property taxes. 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.

At September 30, 2019, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$	113,522
Allowance for uncollectible taxes		<u>(97,056)</u>
Net property taxes receivable	<u>\$</u>	<u>16,466</u>

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-50
System improvements	10-50
Machinery and equipment	3-25
Infrastructure	50

d. 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.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

There are no significant receivables, other than delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the \$16,466 outstanding at September 30, 2019, it is expected that the City will collect approximately \$12,000 during the 2019-2020 fiscal year. This is similar to the delinquent taxes collected for the year ended September 30, 2019.

e. 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.

f. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The City reports three categories of net position, as follows:

- Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position.

g. Governmental Fund Balances

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive fund balance classification first when more than one classification is available.

h. 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.

i. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense 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.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

For the year ended September 30, 2019, the City overexpended in nine functional areas of the General Fund (see Note O). The City will be more diligent in monitoring its actual expenditures compared to the City's adopted budget during the year.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

There are no funds with deficit fund balance or deficit net position as of September 30, 2019.

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 savings accounts included in temporary investments) was \$4,453,452, and the bank balance was \$4,444,118. The City's cash deposits at September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

At September 30, 2019, the carrying amount and bank balance of the 4A Development Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$161,874. The Corporation's cash deposits at September 30, 2019 and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2019, the carrying amount and bank balance of the 4B Development Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$110,985. The Corporation's cash deposits at September 30, 2019 and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

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 basic financial statements disclosed that in the areas of investment practices, management reports and 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.

The City's Investments at September 30, 2019 are shown below:

Investment or Investment Type	Weighted Maturity (Months)	Fair Value
Primary Government		
US Government Securities	43.01	\$ 6,545
Certificate of Deposit	28.23	1,666,816
		\$ 1,673,361

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:

1. 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 rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

2. 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.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. 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.

4. 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.

5. 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.

D. Due from Component Unit

In fiscal year 2014, the Iowa Park 4A Development Corporation agreed to pay principal and interest on \$600,000 of City Certificate of Obligation Bonds. The bonds were issued to fund a water reuse project. The balance of this note as of September 30, 2019 is \$430,000 in business-type activities.

In fiscal year 2006, the Iowa Park 4B Development Corporation agreed to pay principal and interest on \$800,000 of City Certificate of Obligation Bonds. The bonds were issued to construct a municipal swimming pool. The balance of this note as of September 30, 2019 is \$311,250 in governmental activities.

E. Capital Assets

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

	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 112,438	\$ -	\$ -	\$ 112,438
CIP	10,856	20,141	10,856	20,141
Total capital assets not being depreciated	123,294	20,141	10,856	132,579
Capital assets being depreciated:				
Buildings and improvements	2,788,491	-	-	2,788,491
Machinery and equipment	3,625,072	128,623	44,977	3,708,718
Infrastructure	1,819,186	12,500	-	1,831,686
Total capital assets being depreciated	8,232,749	141,123	44,977	8,328,895
Less accumulated depreciation for:				
Buildings and improvements	808,859	114,585	(179,500)	1,102,944
Machinery and equipment	2,230,704	294,652	11,709	2,513,647
Infrastructure	614,890	52,307	208,143	459,054
Total accumulated depreciation	3,654,453	461,544	40,352	4,075,645
Total capital assets being depreciated, net	4,578,296	(320,421)	4,625	4,253,250
Governmental activities capital assets, net	<u>\$ 4,701,590</u>	<u>\$ (300,280)</u>	<u>\$ 15,481</u>	<u>\$ 4,385,829</u>

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-type activities:	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Capital assets not being depreciated:				
Land	\$ 631,320	\$ -	\$ -	\$ 631,320
CIP	-	111,470	-	111,470
Total capital assets not being depreciated	631,320	111,470	-	742,790
Capital assets being depreciated:				
Buildings and improvements	443,650	-	-	443,650
System improvements	13,347,909	3,422	11,929	13,339,402
Machinery and equipment	1,397,164	85,645	112,441	1,370,368
Total capital assets being depreciated	15,188,723	89,067	124,370	15,153,420
Less accumulated depreciation for:				
Buildings and improvements	299,169	10,668	-	309,837
System improvements	6,517,277	253,559	11,716	6,759,120
Machinery and equipment	1,173,382	69,644	112,441	1,130,585
Total accumulated depreciation	7,989,828	333,871	124,157	8,199,542
Total capital assets being depreciated, net	7,198,895	(244,804)	213	6,953,878
Business-type activities capital assets, net	\$ 7,830,215	\$ (133,334)	\$ 213	\$ 7,696,668

Depreciation was charged to functions as follows:

Governmental activities:

Administration	\$ 9,786
Animal control	43,574
Code enforcement	3,067
Dispatch	3,902
Fire	109,910
Library	11,913
Economic development	796
Parks	34,510
Police	92,755
Public works	1,945
RAC	5,697
Street	96,737
Swimming pool	46,952
Total	\$ 461,544

Discretely presented component units

Activity for Iowa Park 4A Development Corporation for the year ended September 30, 2019, was as follows:

Capital assets not being depreciated:	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 46,828	\$ -	\$ -	\$ 46,828

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2019 consisted of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	<u>\$ 4,749</u>

This interfund payable is scheduled to be repaid fully within one year.

2. Transfers To and From Other Funds

There were no transfers between funds during the year ended September 30, 2019.

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2019, are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation refunding	\$ 357,750	\$ -	\$ 46,500	\$ 311,250	\$ 47,250
Premium on general obligation refunding	19,138	-	2,702	16,436	2,702
Capital lease	492,032	-	80,103	411,929	82,485
Compensated absences	59,633	-	2,740	56,893	-
Total governmental activities	<u>\$ 928,553</u>	<u>\$ -</u>	<u>\$ 132,045</u>	<u>\$ 796,508</u>	<u>\$ 132,437</u>
<u>Business-type activities:</u>					
General obligation refunding	\$ 2,027,250	\$ -	\$ 263,500	\$ 1,763,750	\$ 267,750
Premium on general obligation refunding	106,867	-	15,087	91,780	15,087
Taxable certificates of obligation	465,000	-	35,000	430,000	35,000
Compensated absences	26,204	2,684	-	28,888	-
Total business-type activities	<u>\$ 2,625,321</u>	<u>\$ 2,684</u>	<u>\$ 313,587</u>	<u>\$ 2,314,418</u>	<u>\$ 317,837</u>

2. Bonds Payable

On July 1, 2006, the City issued Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2006 in the amount of \$800,000. The interest rate on the bonds ranges from 3.85% to 4.85% with an original maturity date of August 1, 2026. These bonds were issued to construct a municipal swimming pool. In 2014, a portion of these bonds were refunded. The final payment for the remaining outstanding issuance is due on August 1, 2026.

On April 3, 2014, the City issued Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Taxable Series in the amount of \$600,000. The interest rate on the bonds ranges from 0.65% to 4.90% with a maturity date of October 15, 2028. The bonds were issued to finance a water reuse project.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

On February 1, 2014, the City issued \$3,255,000 of Series 2014, General Obligation Refunding Bonds, allocated 15% to the general fund and 85% to the utility fund. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$3,376,629. The proceeds placed with an escrow agent to provide for all future debt payments of the refunded bonds. This refunding resulted in a decrease in the City's debt service payments of \$363,373, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$319,617.

Debt service requirements to maturity on bonds payable at September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	47,250	8,629	55,879	302,750	66,439	369,189
2021	48,750	7,189	55,939	311,250	57,185	368,435
2022	50,250	5,704	55,954	324,750	47,454	372,204
2023	52,500	4,163	56,663	337,500	37,210	374,710
2024	54,000	2,565	56,565	346,000	26,548	372,548
2025-2029	58,500	1,013	59,513	571,500	36,279	607,779
Total	<u>\$ 311,250</u>	<u>\$ 29,263</u>	<u>\$ 340,513</u>	<u>\$ 2,193,750</u>	<u>\$ 271,115</u>	<u>\$ 2,464,865</u>

3. Capital Lease

The City entered into a lease agreements for a fire truck in February 2017, three Ford Explorers in April 2017, and two Ford Interceptors in June 2018. The fire truck lease has annual payments of \$33,855, bears interest of 3.06%, and matures in February 2029. The Ford Explorer leases each have annual payments of \$11,913, bear interest of 2.75%, and mature in April 2020. The Ford Interceptor leases each have annual payments of \$12,728, bear interest of 3.25%, and mature in June 2021. These leases are considered to be a capital leases for accounting purposes. The liability for future capital lease payments total \$411,929 and is reported as capital lease payable current liability of \$82,485 and capital lease payable long-term liability of \$329,444 in the Governmental Activities. Assets held under capital lease have a carrying value of \$408,872 at September 30, 2019.

The commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2019 as follows:

Year Ending September 30,	
2020	\$ 120,559
2021	76,315
2022	33,855
2023	33,855
2024	33,855
2025-2029	169,276
Total minimum lease payments	<u>467,715</u>
Less amount representing interest	<u>(55,786)</u>
Present value of minimum lease payments	<u>\$ 411,929</u>

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Component Units

Long-Term Obligation Activity

Long-term obligations for the discretely reported component units include long-term notes payable. Changes in long-term obligations for the period ended September 30, 2019, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Due Within One Year
Iowa Park 4A Development Corporation:					
Note payable to primary government	\$ 465,000	\$ -	\$ 35,000	\$ 430,000	\$ 35,000
Iowa Park 4B Development Corporation:					
Note payable to primary government	\$ 357,750	\$ -	\$ 46,500	\$ 311,250	\$ 47,250

Notes Payable

In fiscal year 2014, the Iowa Park 4A Development Corporation agreed to pay principal and interest on \$600,000 of City Certificate of Obligation Bonds. The bonds were issued to fund a water reuse project. The balance of this note as of September 30, 2019 is \$430,000.

In fiscal year 2006, the Iowa Park 4B Development Corporation agreed to pay principal and interest on \$800,000 of City Certificate of Obligation Bonds. The bonds were issued to construct a municipal swimming pool. The balance of this note as of September 30, 2019 is \$311,250.

Debt service requirements to maturity on notes payable at September 30, 2019, are as follows:

Year Ending September 30,	4A Development Corporation			4B Development Corporation		
	Principal	Interest	Total	Principal	Interest	Total
2020	35,000	17,542	52,542	47,250	8,629	55,879
2021	35,000	16,449	51,449	48,750	7,189	55,939
2022	40,000	13,623	53,623	50,250	5,704	55,954
2023	40,000	15,133	55,133	52,500	4,163	56,663
2024-2028	230,000	40,103	270,103	112,500	3,577	116,077
2029	50,000	1,225	51,225	-	-	-
Total	\$ 430,000	\$ 104,075	\$ 534,075	\$ 311,250	\$ 29,262	\$ 340,512

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City maintains general liability insurance coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage discussed above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk

CITY OF IOWA PARK, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2019

levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The City is a party to various legal actions normally associated with local governments, the aggregate of which, in the City's and legal counsel's opinion, would not be material to the financial statements of the City.

J. Accrued Compensated Absences

All full-time employees accumulate vacation benefits based on length of service, up to 20 days per year. The maximum allowable accumulation is 17 days. Upon leaving the City, employees will be paid for unused vacation days which they have accrued. At September 30, 2019 the City has accrued a liability of \$85,781 for vacation leave. This liability is recorded as a long-term liability in the government-wide financial statements.

K. Defined Benefit Pension Plan

1. Plan Description

The City of Iowa Park participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. 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.

CITY OF IOWA PARK, TEXAS
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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 payments 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.

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

	<u>Plan Year 2018</u>	<u>Plan Year 2019</u>
Employee deposit rate	6%	6%
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, 0/25	60/5, 0/25
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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	29
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>44</u>
Total	<u>110</u>

3. 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 Iowa Park were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Iowa Park were 15.13% and 14.69% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$268,090, and were equal to the required contributions.

4. 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:

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males 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 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (a) – (b)
	(a)	(b)	
Balance at 12/31/2017	<u>\$ 8,775,524</u>	<u>\$ 7,696,082</u>	<u>\$ 1,079,442</u>
Changes for the year:			
Service cost	235,420	-	235,420
Interest	587,550	-	587,550
Change of benefit terms	-	-	-
Difference between expected and actual experience	(58,690)	-	(58,690)
Changes of assumptions	-	-	-
Contributions – employer	-	277,712	(277,712)
Contributions – employee	-	110,131	(110,131)
Net investment income	-	(230,587)	230,587
Benefit payments, including refunds of employee contributions	(377,570)	(377,570)	-
Administrative expense	-	(4,455)	4,455
Other changes	-	(233)	233
Net changes	<u>386,710</u>	<u>(225,002)</u>	<u>611,712</u>
Balance at 12/31/2018	<u>\$ 9,162,234</u>	<u>\$ 7,471,080</u>	<u>\$ 1,691,154</u>

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's net pension liability	<u>\$ 3,010,553</u>	<u>\$ 1,691,154</u>	<u>\$ 611,342</u>

Pension Plan Fiduciary Net Position

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

5. 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 \$333,869.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	\$ -	\$ (78,356)
Difference between projected and actual investment earnings	395,589	-
Contributions subsequent to the measurement date	<u>193,258</u>	<u>-</u>
Total	<u>\$ 588,847</u>	<u>\$ (78,356)</u>

\$193,258 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2019	\$ 103,799
2020	17,237
2021	46,181
2022	<u>150,016</u>
Total	<u>\$ 317,233</u>

L. Postemployment Benefits Other Than Pensions (OPEB)

1. Plan Description

The City of Iowa Park participates in a cost sharing multiple-employer defined benefit group 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 participate in SBDF, and 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

2. Benefits Provided

The SBDF provides group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500.

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

Inactive employees currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>44</u>
Total	<u>68</u>

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.5% to 10.5%, including inflation
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0

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

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

Mortality rates for 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 for 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 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.

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 132,398
Changes for the year:	
Service Cost	4,905
Interest on Total OPEB Liability	4,446
Differences between expected and actual experience	81,569
Changes in assumptions or other inputs	(8,480)
Benefit payments	<u>(1,090)</u>
Net changes	<u>81,350</u>
Total OPEB Liability – end of year	<u>\$ 213,748</u>

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Sensitivity of the Total OPEB Liability to changes in the discount rate

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

	1% Decrease In Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase In Discount Rate (4.71%)
City's total OPEB liability	<u>\$ 236,382</u>	<u>\$ 213,748</u>	<u>\$ 195,551</u>

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$24,162.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 66,951	\$ -
Changes in actuarial assumptions	-	(826)
Contributions subsequent to the measurement date	<u>3,026</u>	<u>-</u>
Total	<u>\$ 69,977</u>	<u>\$ (826)</u>

\$3,026 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	
2019	\$ 14,811
2020	14,811
2021	14,811
2022	14,093
2023	7,599
Thereafter	<u>-</u>
Total	<u>\$ 66,125</u>

M. Related Party Transactions

During the year ended September 30, 2019, one of the City's component units, the Iowa Park 4B Development Corporation, contributed \$8,835 toward projects undertaken by the City, including \$3,538 for park bleachers and benches and \$5,297 for a slide for the park. These items are recorded as "Other revenues" in the General Fund.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

N. Ad Valorem Tax Abatements

The City of Iowa Park entered into two ad valorem tax abatement agreements with businesses to promote economic development as permitted by chapter 311 of the Texas Tax Code. Under the tax abatement program, the City may negotiate to abate taxes based upon a project's capital investment and the number of jobs created as a result of expansion or new project location. The City may abate 100% of their portion of increased Ad Valorem tax during the first year that improvements are in place. Terms of these abatements are negotiated on a case-by-case basis and apply only to primary employers.

For the fiscal year ended September 30, 2019, the City of Iowa Park abated property taxes totaling \$20,503 under this program, including the following tax abatement agreements.

- A 40 percent abatement for a restaurant. The abatement amounted to \$2,918.
- A 50 percent abatement for a local manufacturing company. The abatement amounted to \$17,585.

O. Expenditures in Excess of Budgeted Amounts

During the year ended September 30, 2019, the City had expenditures in excess of the budgeted amounts in the General Fund as follows:

<u>Department</u>	<u>Amount</u>	<u>Department</u>	<u>Amount</u>
Public works	\$ 1,300	Animal control	\$ 1,159
Sanitation	31,541	Municipal Court	821
Swimming pool	18,245	Library	6,392
Police	25,767	Economic development	147
Dispatch	7,162		

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF IOWA PARK, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenue:				
Ad valorem taxes	\$ 2,060,580	\$ 2,076,370	\$ 2,096,184	\$ 19,814
Franchise taxes	371,000	363,000	361,792	(1,208)
City sales taxes	420,000	435,000	445,703	10,703
Charges for services	571,470	635,470	662,114	26,644
Licenses and permits	26,100	27,300	33,500	6,200
Fines and forfeitures	55,350	70,350	90,175	19,825
Revenue from use of money and property	14,800	52,500	58,185	5,685
Intergovernmental revenues	-	9,000	13,685	4,685
Other revenues	195,360	198,860	213,321	14,461
Total revenues	<u>3,714,660</u>	<u>3,867,850</u>	<u>3,974,659</u>	<u>106,809</u>
Expenditures:				
Administration	405,630	445,630	420,822	24,808
Public works	49,520	49,520	50,820	(1,300)
Code enforcement	54,880	54,880	53,382	1,498
Streets	604,400	604,400	509,485	94,915
Sanitation	425,000	440,000	471,541	(31,541)
Parks	304,330	313,830	288,115	25,715
Swimming pool	148,020	159,020	177,265	(18,245)
Police	899,140	937,380	963,147	(25,767)
Dispatch	293,000	293,000	300,162	(7,162)
Animal control	86,440	87,640	88,799	(1,159)
Municipal court	68,110	90,110	90,931	(821)
Fire	124,760	137,010	130,479	6,531
Library	146,070	146,070	152,462	(6,392)
RAC - Youth Center	8,600	12,600	11,770	830
Economic development	96,760	96,760	96,907	(147)
Total expenditures	<u>3,714,660</u>	<u>3,867,850</u>	<u>3,806,087</u>	<u>61,763</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>168,572</u>	<u>168,572</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,572</u>	<u>\$ 168,572</u>

CITY OF IOWA PARK, TEXAS
NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Budget and Budgetary Accounting

The City Council adopts an annual budget for the general and utility funds. The general fund budget is legally adopted on a modified accrual basis. The budget for the utility fund is adopted under a basis consistent with GAAP, except that amortization and depreciation are not considered (working capital basis).

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

Budget Amendments

There was one amendment to the budget during the year ended September 30, 2019.

CITY OF IOWA PARK, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 DECEMBER 31, 2018

EXHIBIT B-2

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability				
Service cost	\$ 220,303	\$ 234,361	\$ 231,830	\$ 235,420
Interest (on the Total Pension Liability)	506,575	529,125	565,247	587,550
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	57,083	69,673	(110,049)	(58,690)
Changes of assumptions	55,548	-	-	-
Benefit payments, including refunds of employee contributions	<u>(234,644)</u>	<u>(254,247)</u>	<u>(339,244)</u>	<u>(377,570)</u>
Net Change in Total Pension Liability	604,865	578,912	347,784	386,710
Total Pension Liability - Beginning	<u>7,243,963</u>	<u>7,848,828</u>	<u>8,427,740</u>	<u>8,775,524</u>
Total Pension Liability - Ending (a)	<u>\$ 7,848,828</u>	<u>\$ 8,427,740</u>	<u>\$ 8,775,524</u>	<u>\$ 9,162,234</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 254,507	\$ 245,907	\$ 261,498	\$ 277,712
Contributions - employee	110,336	108,250	106,589	110,131
Net investment income	8,986	420,684	934,242	(230,587)
Benefit payments, including refunds of employee contributions	(234,644)	(254,247)	(339,244)	(377,570)
Administrative expenses	(5,473)	(4,749)	(4,840)	(4,455)
Other	<u>(270)</u>	<u>(256)</u>	<u>(245)</u>	<u>(233)</u>
Net Change in Plan Fiduciary Net Position	133,442	515,589	958,000	(225,002)
Plan Fiduciary Net Position - Beginning	<u>6,089,052</u>	<u>6,222,494</u>	<u>6,738,083</u>	<u>7,696,083</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,222,494</u>	<u>\$ 6,738,083</u>	<u>\$ 7,696,083</u>	<u>\$ 7,471,081</u>
Net Pension (Asset) Liability - Ending (a) - (b)	\$ 1,626,334	\$ 1,689,657	\$ 1,079,441	\$ 1,691,153
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.28%	79.95%	87.70%	81.54%
Covered Employee Payroll	1,838,927	1,804,164	1,776,476	1,816,512
Net Pension Liability as a Percentage of Covered Employee Payroll	88.44%	93.65%	60.76%	93.10%

CITY OF IOWA PARK, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2019

EXHIBIT B-3

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 246,278	\$ 258,717	\$ 273,848	\$ 268,090
Contribution in relation to the actuarially determined contribution	<u>246,278</u>	<u>258,717</u>	<u>273,848</u>	<u>268,090</u>
Contribution excess (deficiency)	-	-	-	-
Covered employee payroll	\$ 1,854,783	\$ 1,852,028	\$ 1,892,084	\$ 1,921,614
Contributions as a percentage of covered employee payroll	13.28%	13.97%	14.47%	13.95%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	

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

Other Information:

Notes There were no benefit changes during the year.

CITY OF IOWA PARK, TEXAS**EXHIBIT B-4**

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

DECEMBER 31, 2018

	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 4,086	\$ 4,905
Interest	4,416	4,446
Changes of benefit terms	-	-
Difference between expected and actual experience	-	81,569
Changes of assumptions	9,560	(8,480)
Benefit payments	(888)	(1,090)
	<u>17,174</u>	<u>81,350</u>
Net Change in Total OPEB Liability	17,174	81,350
Total OPEB Liability - Beginning	<u>115,224</u>	<u>132,398</u>
Total OPEB Liability - Ending (a)	<u>\$ 132,398</u>	<u>\$ 213,748</u>
Covered Employee Payroll	\$ 1,852,028	\$ 1,816,512
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.15%	11.77%

NOTES TO SCHEDULE:*Changes of assumptions.*

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate.

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

CITY OF IOWA PARK, TEXAS

INTERNAL CONTROL AND COMPLIANCE REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019





Independent Auditor's 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

City Council
City of Iowa Park, Texas
103 N. Wall St.
Iowa Park, Texas 76367

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Iowa Park, 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 Iowa Park, Texas' basic financial statements and have issued our report thereon dated February 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Iowa Park, Texas' 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 of Iowa Park, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Iowa Park, Texas' 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See finding 2019-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Iowa Park, Texas' 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*.

City of Iowa Park, Texas' Response to Finding

City of Iowa Park, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Iowa Park, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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,

MWH Group, P.C.

MWH Group, P.C.
Wichita Falls, Texas

February 20, 2020

**CITY OF IOWA PARK, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes _____ No
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

B. Financial Statement Finding

Finding 2019-1: Control Environment

Condition and Criteria: An ideal control environment provides structure and clear communication of responsibilities for the City and its employees. However, the City's control structure does not provide for an ideal control environment.

Cause: The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide an optimum control environment.

Effect: There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

Recommendations: We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves. Below we have listed several such areas to consider.

- A monthly review should be performed to ensure detailed records and reconciliations agree to the general ledger amounts for items such as capital assets and accounts receivable. This monthly review should be completed by someone that does not perform the functions related to that account.
- Written policies should be created and/or updated periodically regarding areas such as capital assets, expense reports, purchasing, general administration, and finance procedures. As part of this process, we recommend that specific oversight and review duties be assigned to appropriate personnel.

Response: The City is aware of the limitations it has with regard to internal control because of the limited number of office staff. As a result, the City will always be aware of its need to improve internal controls when the opportunity presents itself, and will remain committed to the involvement of the City Council in oversight and review of City functions and financial affairs.