

**CITY OF MURCHISON, TEXAS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**CITY OF MURCHISON, TEXAS**  
**TABLE OF CONTENTS**  
**December 31, 2019**

	<u><b>Page</b></u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	8
Statement of Activities	9
<b>Fund Financial Statements:</b>	
Balance Sheet (with reconciliation to net position of governmental activities) - <b>Governmental Funds</b>	10
Statement of Revenues, Expenditures and Changes in Fund Balances (with reconciliation to change in net position of governmental activities) - <b>Governmental Funds</b>	11
Statement of Net Position - <b>Proprietary Fund</b>	13
Statement of Revenues, Expenses and Changes in Net Position - <b>Proprietary Fund</b>	14
Statement of Cash Flows - <b>Proprietary Fund</b>	15
Balance Sheet - <b>Component Unit</b>	16
Statement of Revenues, Expenses and Changes in Fund Balance - <b>Component Unit</b>	17
Notes to Financial Statements	18
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - <b>General Fund</b>	28
<b>Additional Supplemental Information:</b>	
Detailed Schedule of Revenues, Expenses, and Changes in Fund Positon - Budget and Actual - <b>Waterworks Fund</b>	29
Schedule of Insurance Coverage	30

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Murchison, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Murchison, Texas, as of and for the year ended December 31, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Murchison, Texas, as of December 31, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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 and budgetary comparison information 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Murchison, Texas' basic financial statements. The Budget Comparison Schedule for the Waterworks Fund and the Schedule of Insurance Coverage are not a required part of the basic financial statements.

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



ACKER & COMPANY  
Certified Public Accountants, PC  
July 31, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Murchison's financial performance provides an overview of the City's financial activities for the year ended December 31, 2019.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### Reporting the City as a Whole

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

Our analysis of the City as a whole begins on page 5. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

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

- **Governmental activities** - Most of the City's basic services are reported here, including the general administration, streets and parks. Sales taxes, franchise fees, and fines finance most of these activities.
- **Business-type activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.
- **Additionally**, the City has one component unit, the Murchison Community Development Corporation, which is included in the statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Reporting the City's Most Significant Funds

#### Fund Financial Statements

Our analysis of the City's major funds begins on page 6. The fund financial statements begin on page 10 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation found at the bottom of the fund financial statements.
- **Proprietary funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### THE CITY AS A WHOLE

#### Governmental Net Position

For the year ended December 31, 2019, net position changed as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Beginning Net Position	\$ 236,252	\$ 1,212,317	\$ 1,448,569
Change in Net Position	<u>22,928</u>	<u>13,353</u>	<u>36,281</u>
Ending Net Position	<u>\$ 259,180</u>	<u>\$ 1,225,670</u>	<u>\$ 1,484,850</u>

This schedule reflects an increase of 10 percent for governmental activities and an increase of 1 percent for business-type activities.

A comparison of assets, liabilities and changes in net position is as follows:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Total Assets	\$ 1,509,274	\$ 1,481,418	\$ 27,856
Total Liabilities	<u>24,424</u>	<u>32,849</u>	<u>(8,425)</u>
Net Position	<u>\$ 1,484,850</u>	<u>\$ 1,448,569</u>	<u>\$ 36,281</u>

#### Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities (continued)

A comparison of governmental fund revenues and expenses on the Statement of Activities is as follows:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues	\$ 105,812	\$ 103,467	2,345
Expenses and Transfers	82,884	86,688	(3,804)
Change in Net Position	<u>\$ 22,928</u>	<u>\$ 16,779</u>	<u>\$ 6,149</u>

A comparison of the whole City revenues and expenses is as follows:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Total Revenues	\$ 389,178	\$ 389,269	\$ (91)
Total Expenses	352,897	369,035	(16,138)
Change in Net Assets	<u>\$ 36,281</u>	<u>\$ 20,234</u>	<u>\$ 16,047</u>

The decrease in revenues is due to less grant revenue in the general fund. The decrease in expenses is due to less grant expenses in the general fund.

### Business-type Activities

The Business-type Activities include the operations of the water and sewer fund. The water and sewer fund generated a profit of \$13,353 in 2019, compared to a profit of \$3,455 in 2018. Total operating revenues decreased from \$285,521 in 2018 to \$267,920 in 2019 for a 6% decrease.

### THE CITY'S FUNDS

The City's general fund increased \$36,616 in 2019. It increased \$32,500 in 2018. Total revenues increased \$2,345 in 2019. Expenses decreased \$1,771 in 2019.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### General Fund Budgetary Highlights

General fund revenues net of expenses were under budget \$36,616.

#### Capital Assets

At December 31, 2019, the City had \$886,133 (net of depreciation) invested in fixed assets including water and sewer lines. The City has not recorded its investments in roads, bridges and parks for years prior to 2004 due to the difficulty in estimating the value of those items.

	<u>Government</u>	<u>Business-type</u>
Land	\$ 1,680	\$ 25,340
Buildings, Equipment and Water and Sewer System	345,588	2,125,970
	347,268	2,151,310
Additions/(Deletions)	-	-
Depreciation	288,864	1,323,581
Net	<u>\$ 58,404</u>	<u>\$ 827,729</u>

Governmental fund capital assets decreased \$ 13,688. Depreciation was \$13,688. In the business-type funds, depreciation was \$68,944. Business type assets decreased \$68,944.

#### Debt

During the year, total debt reduction was \$8,216 on leases payable.

#### Economic Factors

Economic trends in the area mirror those of Tyler, Texas that is located in a U.S. Census metropolitan economic region within commuting distance of most of the City's citizens. In the region, economic growth is stagnant due to the local economy.

The City strives to keep expenditures to a minimum. With controlled spending and the use of reserves, the City should be able to absorb any unexpected inflationary price change such as fuel and power costs.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City of Murchison, attention Pam Tidwell, or call 903-469-3710.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

ASSETS	Governmental Activities	Business- type Activities	Total	Component Units
Cash and Cash Equivalents	\$ 192,421	\$ 347,386	\$ 539,807	\$ 119,646
Investments	-	26,416	26,416	-
Receivables (net of allowance for doubtful accounts)	9,881	25,527	35,408	1,526
Due From Other Funds	-	-	-	-
Restricted Assets:				
Temporarily Restricted				
Cash and Cash Equivalents	-	21,510	21,510	-
Capital Assets (net of accumulated depreciation):				
Land	1,680	25,340	27,020	-
Building	14,810	869	15,679	-
Improvements	8,081	-	8,081	-
Water System	-	448,622	448,622	-
Sewer System	-	336,105	336,105	-
Machinery and Equipment	-	-	-	-
System Improvements	-	16,793	16,793	-
Infrastructure	33,833	-	33,833	-
Total Assets	260,706	1,248,568	1,509,274	121,172
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 1,526	\$ 1,388	\$ 2,914	-
Deposits and other Refundable Balances	-	15,102	15,102	-
Due to Other Funds	-	-	-	-
Non-Current Liabilities:				
Due Within One Year	-	6,408	6,408	-
Due in More Than One Year	-	-	-	-
Total Liabilities	1,526	22,898	24,424	-
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	58,404	821,321	879,725	-
Restricted for:				
Debt Service	-	6,408	6,408	-
Unrestricted	200,776	397,941	598,717	121,172
Total Net Position	\$ 259,180	\$1,225,670	\$ 1,484,850	\$ 121,172

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Component Units
Primary Governmental:						
Government Activities:						
General Government	\$ 80,160	\$ -	\$ -	\$ (80,160)	\$ -	\$ -
Highways and Streets	2,724	-	-	(2,724)	-	-
Parks and Recreation	-	-	-	-	-	-
Total Governmental Activities	82,884	-	-	(82,884)	-	-
Business-Type Activities						
Water and Sewer	270,013	267,756	15,125	-	12,868	-
Total Business-type Activities	270,013	267,756	15,125	-	12,868	-
Component Units						
Economic Development	(12)	-	-	-	-	(12)
Total Component Units						
Total Primary Government	\$ 352,897	\$ 267,756	\$ 15,125	(82,884)	12,868	\$ -
General Revenue:						
Sales Taxes				82,721	-	27,574
Franchise Taxes				21,265	-	-
Interest Income				14	321	153
Miscellaneous Revenue				1,812	164	-
Transfers				-	-	-
Total General Revenues				105,812	485	27,727
Change in Net Position				22,928	13,353	27,715
Net Position - Beginning of the Year				236,252	1,212,317	93,457
Net Position - End of the Year				\$ 259,180	\$ 1,225,670	\$ 121,172

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**BALANCE SHEET**  
**(with Reconciliation to Net Position of Governmental Activities) -**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	General Fund
<b>ASSETS</b>	
Cash, Including Time Deposits	\$ 192,421
Accounts Receivable - Taxes	9,881
Total Assets	<u>202,302</u>
<b>LIABILITIES</b>	
Accounts Payable	1,526
Due to Others	-
Total Liabilities	<u>1,526</u>
<b>FUND BALANCES</b>	
Unreserved	-
Unassigned	200,776
Total Fund Balances	<u>200,776</u>

**RECONCILIATION TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES**

Amounts reported for governmental activities in the Statement of Net Assets are different because:  
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$288,864.

	<u>58,404</u>
Net Position of Governmental Activities	<u>\$ 259,180</u>

See accompanying notes to financial statements.



**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**(with Reconciliation to Change in Net Position of Governmental Activities)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund
Revenues:	
Sales Taxes	\$ 82,721
Franchise Taxes	21,265
Trash Collection Income	-
Interest	14
Municipal ROW Fees	1,635
Grant Revenue	-
Other Miscellaneous Revenues	177
Total Revenues	<u>105,812</u>
Expenditures:	
General Government	66,472
Streets	2,724
Parks and Recreation	-
Grant Expenses	-
Total Expenditures	<u>69,196</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	<u>36,616</u>
Other Revenue and Financing Sources (Uses):	
Loan Proceeds	-
Operating Transfers In/(Out)	-
Intergovernmental	-
Total Other Financing Sources (Uses)	<u>-</u>
Excess (Deficiency) of Revenues and Other	
Financing Sources Over (Under) Expenditures	
and Other Financing Uses	36,616
Fund Balance - Beginning	164,160
Fund Balance - Ending	<u><u>\$ 200,776</u></u>

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**(with Reconciliation to Change in Net Position of Governmental Activities)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Reconciliation to Change in Net Position of Governmental Activities:

Excess (Deficiency) of Revenues	
Over (Under) Expenditures	\$ 36,616

Net change in fund balances - total governmental funds

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

Governmental funds report capital outlays as expenditures  
and sales of capital assets as revenues while governmental activities  
report depreciation expense to allocate those expenditures over  
the life of the assets:

Capital Assets Acquired and Capitalized	-
Depreciation Expense	(13,688)

Change in Net Position of Governmental Activities	\$ 22,928
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See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water and Sewer Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	347,386
Investments	26,416
Accounts Receivable (Net)	25,527
Due From General Fund	-
Total Current Assets	<u>399,329</u>
Noncurrent Assets:	
Restricted Assets	
Temporarily Restricted	
Debt Service	6,408
Cash for Customer Deposits	15,102
Total Restricted Assets	<u>21,510</u>
Bond Issue Costs (Net)	
Capital Assets:	
Land	25,340
Water System	1,016,095
Sewer System	985,095
Machinery & Equipment	82,805
System Improvements	41,975
Less: Accumulated Depreciation	<u>(1,323,581)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>827,729</u>
Total Assets	<u><u>1,248,568</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	1,388
Accrued Expenses	-
Customer Deposits	15,102
Notes & Bonds Payable - Current	6,408
Total Current Liabilities	<u>22,898</u>
Noncurrent Liabilities:	
Bonds Payable	-
Notes Payable	-
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>22,898</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	821,321
Restricted for Debt Service	6,408
Unrestricted	397,941
Total Net Position	<u><u>\$ 1,225,670</u></u>

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Water and Sewer Fund
Operating Revenues:	
Water and Sewer Charges	\$ 206,262
Trash Revenues	61,494
Other Miscellaneous Revenues	164
Total Operating Revenues	<u>267,920</u>
Operating Expenses:	
Water and Sewer Operations	185,454
Depreciation	68,944
Total Operating Expenses	<u>254,398</u>
Operating Income	<u>13,522</u>
Non-Operating Revenues (Expense):	
Grant Revenue	15,125
Grant Expense	(15,125)
Interest Expense	(490)
Interest Income	321
Total Non-Operating Revenues (Expense)	<u>(169)</u>
Transfers In	-
Transfers Out	<u>-</u>
Change in Net Position	13,353
Net Position - Beginning of Year	<u>1,212,317</u>
Net Position - End of Year	<u><u>\$ 1,225,670</u></u>

See accompanying notes to financial statements.



**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water &amp; Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 263,034
Cash Payments to Suppliers for Goods and Services	(176,500)
Cash Payments to and for Employees	(9,022)
Net Cash Provided by Operating Activities	<u>77,512</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Grant Revenue Received	15,125
Grant Expense Paid	(15,125)
Capital Assets Purchased	-
Interest Paid on Bonds and Loans	(490)
Operating Transfers from Other Governments	-
Operating Transfers to Other Governments	-
Borrowings	-
Principal Payments on Bonds and Loans	(8,216)
Net Cash Used for Capital and Related Financing Activities	<u>(8,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Earned on Investments	228
Net Cash Provided by Investing Activities	<u>228</u>
Net Decrease in Cash and Cash Equivalents	69,034
Cash and Cash Equivalents - Beginning of Year	<u>299,862</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 368,896</u></u>
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 13,522
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	68,944
Change in Assets and Liabilities:	
Other Assets	
(Increase)/Decrease in Receivables	(4,886)
Increase/(Decrease) in Accounts Payable	(306)
(Increase)/Decrease in Customer Deposits	238
Net Cash Provided by Operating Activities	<u><u>\$ 77,512</u></u>
<b>Reconciliation of Cash:</b>	
Cash - Current Asset	347,386
Restricted Cash - Debt service	6,408
Restricted Cash - Customer Deposits	15,102
	<u><u>\$ 368,896</u></u>

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**BALANCE SHEET - COMPONENT UNITS**  
**ECONOMIC DEVELOPMENT CORPORATION**  
**DECEMBER 31, 2019**

**ASSETS AND OTHER DEBITS**

**ASSETS:**

Cash and Investments	
Unrestricted	\$ 119,646
Restricted	-
Receivables (net of allowance for uncollectible accounts)	
Intergovernmental Receivable	1,526
	<hr/>
Total Assets	<u><u>\$ 121,172</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES:**

Accounts Payable	-
	<hr/>
Total Liabilities	-

**EQUITY AND OTHER CREDITS:**

Fund Balances	
Reserved	\$ -
Unreserved	121,172
Total Fund Balance	<hr/>
	<u>121,172</u>
	<hr/>
Total Liabilities and Fund Balance	<u><u>\$ 121,172</u></u>

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Component Units</u>
<b>Component Units:</b>					
Economic Development	\$ (12)	\$ -	-	-	\$ (12)
<b>Total</b>	<u>\$ (12)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12)</u>

General Revenues:

Sales Taxes	\$ 27,574
Investment Income	153
Total General Revenues	<u>27,727</u>
Intergovernmental Transfer	-
Changes in Net Assets	27,715
Net Assets - Beginning	93,457
Net Assets - Ending	<u>\$ 121,172</u>

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Murchison, Texas (City), is a general law city and operates under a Mayor/Council form of government. The City provides the following services: general government, street maintenance, parks, and water and sewer service. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

**A. FINANCIAL REPORTING ENTITY**

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Governmental Accounting and Financial Reporting Standards, include whether:

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

Based on the aforementioned criteria, the City has one component unit, the Murchison Community Development Corporation.

**Murchison Community Development Corporation**

The Murchison Community Development Corporation was incorporated under the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended as a non-profit industrial development corporation. The purpose of the corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The City appoints its five (5) member board of directors who serve at the will of the City. Murchison Community Development Corporation may not issue debt without City approval. Its revenue is derived from a \$.005 City sales tax. Financial information regarding Murchison Community Development Corporation may be obtained from the corporation.



**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**B. BASIS OF PRESENTATION**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 first, then unrestricted resources.

**C. FUND ACCOUNTING**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

**Governmental Fund Types**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following governmental funds:

**General Fund.** The General Fund is used to account for financial resources used for general operations. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund.

**Proprietary Fund Types**

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. FUND ACCOUNTING (continued)**

**Proprietary Fund Types (continued)**

**Proprietary Funds:** Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of employees and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

The Governmental Fund Types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.



**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)**

The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, (i.e., both measurable and available), and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Property and sales taxes are susceptible to accrual.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The proprietary fund type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet.

**E. BUDGET**

The official budget was prepared for adoption prior to January 1, 2019. The budget was formally adopted by the City Council at a duly advertised public meeting prior to the expenditure of funds. There were no amendments to the budget during the year.

**F. ENCUMBRANCES**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The City had no outstanding encumbrances at year end.

**G. CASH EQUIVALENTS**

For the purpose of the Statement of Cash Flows, highly liquid investments with a maturity of three months or less and all certificates of deposit regardless of term are considered to be cash equivalents.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. USE OF ESTIMATES**

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

**I. FUND BALANCES**

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally contractually required to be maintained intact. Resources in non-spendable form include inventories and prepaid assets.

Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

The city's highest decision-making level of authority rests with the City Council. Fund balance is reported as committed when the Council passes a resolution that places specified constraints on how resources may be used. The Council can modify or rescind a commitment of resources through the passage of a new resolution.

Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Council committees (such as budget or finance), or officials to which the Council has delegated authority.

Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the City for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

With the fiscal year ending December 31, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement 34, which has substantially changed its method of reporting. The adoption did not result in the restatement of fund balances.



**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 2 – 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 – by – day basis during the period of the contract. The pledge of approved securities is waved only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2019, the City's deposits totaled \$387,638. The City's cash deposits at December 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to requirements of the Act. The City invests only in certificates of deposit.

**NOTE 3 – RECEIVABLES**

Receivables as of year-end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:			
Sales and Franchise Taxes	\$ 9,881	\$ -	\$ 9,881
Accounts (services)	-	50,625	50,625
Gross Receivables	9,881	50,625	60,506
Less: Allowance for Uncollectible	-	25,098	25,098
Net Receivables	<u>\$ 9,881</u>	<u>\$ 25,527</u>	<u>\$ 35,408</u>

**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – CAPITAL ASSETS**

**Business-type Activities:**

Fixed assets of the proprietary fund are recorded at cost and depreciated, using the straight line method:

<u>Asset Category</u>	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>
Land	\$ 25,340	\$ -	\$ -	\$ 25,340
Water and Sewer System	2,083,995	-	-	2,083,995
System Improvements	41,975	-	-	41,975
Total Property, Plant, and Equipment	2,151,310	-	-	2,151,310
Less: Accumulated Depreciation	(1,254,637)	(68,944)	-	(1,323,581)
Net Property, Plant, and Equipment	<u>\$ 896,673</u>	<u>\$ (68,944)</u>	<u>\$ -</u>	<u>\$ 827,729</u>

Equipment is depreciated over 3-10 years. Water and sewer systems are depreciated over 30-60 years. Land is not depreciated. Depreciation expense for 2019 was \$68,944.

**Governmental Activities:**

Fixed assets of the government fund are recorded at cost and depreciated, using the straight line method:

<u>Asset Category</u>	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>
Land	\$ 1,680	\$ -	\$ -	\$ 1,680
Buildings and Equipment	345,588	-	-	345,588
	347,268	-	-	347,268
Accumulated Depreciation	(275,176)	(13,688)	-	(288,864)
	<u>\$ 72,092</u>	<u>\$ (13,688)</u>	<u>\$ -</u>	<u>\$ 58,404</u>

Streets are depreciated over 15 years. Equipment is depreciated over 5 years. The straight line depreciation method is used. Land is not depreciated. Depreciation expense for 2019 was \$13,688.

**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 5 – LONG-TERM DEBT**

**Loans Payable**

During 2010 the City borrowed \$70,000 for sewer improvements from Community Resource Group (CRG). The loan bears interest at 4.5% and is to be repaid in 120 monthly installments of \$725.47 each. The loan allows CRG to require a reserve account of \$8,706 to be established, but it has not yet required the reserve.

Annual debt service requirements to maturity for these certificates are as follows:

Year Ended December 31	Note	
	Principal	Interest
2020	6,408	121
2021	-	-
2022	-	-
2023	-	-
2024 & After	-	-
Total	<u>\$ 6,408</u>	<u>\$ 121</u>

**Changes in long-term Liabilities**

Long term liability activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
Business-Type Activities:					
Sewer Note	\$ 14,624	-	\$ 8,216	\$ 6,408	6,408
	-	-	-	-	-
Business-Type Activity Long-Term Liabilities	<u>\$ 14,624</u>	<u>\$ -</u>	<u>\$ 8,216</u>	<u>\$ 6,408</u>	<u>\$ 6,408</u>

**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 6 – ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

At December 31, 2019, the City had no material liability for any accrued sick leave or vacation leave.

**NOTE 7 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and insurance with the Texas Municipal League (TML), a public entity risk pool for municipalities. The City pays premiums in monthly installments for this coverage. As of December 31, 2019, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended December 31, 2019, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the city.

**NOTE 8 – WATER AND SEWER RATES**

As of December 31, 2019, the City had 347 active meter connections.

As of December 31, 2019, the City's water usage rate schedule was as follows:

First 2,000 gallons	\$21.00 base monthly minimum bill (residential) \$23.00 base monthly minimum bill (commercial)
Over 2,000 gallons	\$3.25 per thousand up to 10,000 \$3.50 per thousand over 10,000 (residential and commercial)

As of December 31, 2019, the City's sewer usage rate schedule was as follows:

First 4,000 gallons	\$21.00 base monthly minimum bill (residential) \$23.00 base monthly minimum bill (commercial)
Over 4,000 gallons	\$3.25 per thousand up to 10,000 \$3.50 per thousand over 10,000 (residential and commercial)



**CITY OF MURCHISON, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The City participates in various 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 any 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 combined financial statements for such contingencies.

**NOTE 10 – GROUP CONCENTRATIONS OF CREDIT RISK**

The City provides water and sewer services to its residents. Residents use the City's water and sewer system and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City.

**NOTE 11 – SUBSEQUENT EVENTS**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 31, 2020, the date that the financial statements were available to be issued.

The City has noted no significant reduction in sales tax revenue or utility collections due to Covid 19. It has cancelled a few city council meetings, but they are expected to resume with modifications. The ultimate effect of the pandemic on the operations is not expected to be significant.

**CITY OF MURCHISON, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Sales Tax	\$ 115,400	\$ 115,400	\$ 110,295	\$ (5,105)
Franchise Taxes	19,923	19,923	21,265	1,342
Interest	12	12	14	2
Cell Tower Lease	3,600	3,600	-	(3,600)
Municipal ROW Fees	2,100	2,100	1,635	(465)
Grant Revenue	-	-	-	-
Miscellaneous	125	125	177	52
Total Revenues	<u>141,160</u>	<u>141,160</u>	<u>133,386</u>	<u>(7,774)</u>
<b>Expenditures:</b>				
General Government	98,160	98,160	66,472	31,688
Highways and Streets	8,000	8,000	2,724	5,276
MEDC Sales Tax Transfer	35,000	35,000	27,574	7,426
Grant Expenses	-	-	-	-
Total Expenditures	<u>141,160</u>	<u>141,160</u>	<u>96,770</u>	<u>44,390</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures - Budget Basis	<u>\$ -</u>	<u>\$ -</u>	36,616	<u>\$ 36,616</u>
Other Revenues and Financing Sources (uses)				
Intergovernmental Transfers			-	
Operating Transfers In/(Out)			-	
Loan Proceeds			-	
Reserves Used in Current Year (Net of Reserve Income)			-	
Total Other Financing Sources (uses)			<u>-</u>	
Fund Balance, Beginning of year			<u>164,160</u>	
Fund Balance, end of year			<u>\$ 200,776</u>	

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS**  
**DETAILED SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND POSITION - BUDGET AND ACTUAL**  
**WATERWORKS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Fund	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Operating Revenues:</b>				
Charges for Services	\$ 220,200	\$ 220,200	\$ 201,929	\$ (18,271)
Late Fees	4,865	4,865	4,333	(532)
Trash Income	62,922	62,922	61,494	(1,428)
Tap Fees	1,850	1,850	-	(1,850)
Interest Income	277	277	321	44
Miscellaneous	302	302	164	(138)
Total Operating Revenues	<u>290,416</u>	<u>290,416</u>	<u>268,241</u>	<u>(22,175)</u>
<b>Operating Expenditures:</b>				
Capital Improvements & Maintenance	18,000	18,000	8,037	9,963
Contract Labor	49,992	49,992	54,979	(4,987)
Interest	490	490	490	-
Salaries	8,612	8,612	9,716	(1,104)
Supplies & Maintenance	52,656	52,656	42,935	9,721
Trash Expenses	43,176	43,176	38,896	4,280
Utilities	24,520	24,520	22,759	1,761
Other	11,850	11,850	8,132	3,718
Total Expenditures	<u>209,296</u>	<u>209,296</u>	<u>185,944</u>	<u>23,352</u>
Net Income (Loss) Budget Basis	81,120	81,120	82,297	1,177
<b>Financial Statement Adjustments:</b>				
Depreciation	-	-	68,944	(68,944)
Grant Revenue	-	-	-	-
Operating Transfers In/(Out)	-	-	-	-
Expenses Reclassified as Capital Assets	-	-	-	-
Total Financial Statement Adjustments	<u>-</u>	<u>-</u>	<u>68,944</u>	<u>(68,944)</u>
Change in Net Position	<u>\$ 81,120</u>	<u>\$ 81,120</u>	13,353	<u>\$ (67,767)</u>
Net Position Beginning of the year			1,212,317	
Net Position End of the year			<u>\$ 1,225,670</u>	

See accompanying notes to financial statements.

**CITY OF MURCHISON, TEXAS  
SCHEDULE OF INSURANCE COVERAGE  
FISCAL YEAR ENDED DECEMBER 31, 2019**

Coverage Type	Insurer	Period Covered	Items Covered	Coverage
Commercial Property Coverage	Intergovernmental Risk Pool	10/1/19-10/1/20	Real and personal Property	\$ 723,615
Worker's Compensation	Intergovernmental Risk Pool	10/1/19-10/1/20	City Secretary	As Required by the State of Texas
Commercial General Liability	Texas Municipal League Pool	10/1/19-10/1/20	Each Occurrence Annual Aggregate	\$500,000 \$1,000,000
Errors & Omissions Liability	Texas Municipal League Intergovernmental Risk Pool	10/1/19-10/1/20	Public Officials Employees Liability Each Wrongful Act Aggregate	\$ 500,000 \$ 1,000,000
Business Auto Liability	Intergovernmental Risk Pool	10/1/19-10/1/20	Auto Liability Medical Payment	\$ 500,000 \$ 25,000
Mobile Equipment	Intergovernmental Risk Pool	10/1/19-10/1/20	Replacement Cost	\$ 123,426
Boiler and Machinery	Intergovernmental Risk Pool	10/1/19-10/1/20	Replacement Cost	\$ 100,000
Public Employee Bond	Agency	7/13/19-7/13/20	City Secretary Mayor	\$ 16,500 \$ 16,500

See accompanying notes to financial statements.