ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019



Davis, Heinemann & Company, P.C.

Certified Public Accountants 1300 11th Street Suite 500 Huntsville, Texas 77340 (936) 291-3020 Introductory Section



# City of Buffalo, Texas Annual Financial Report For The Year Ended September 30, 2019

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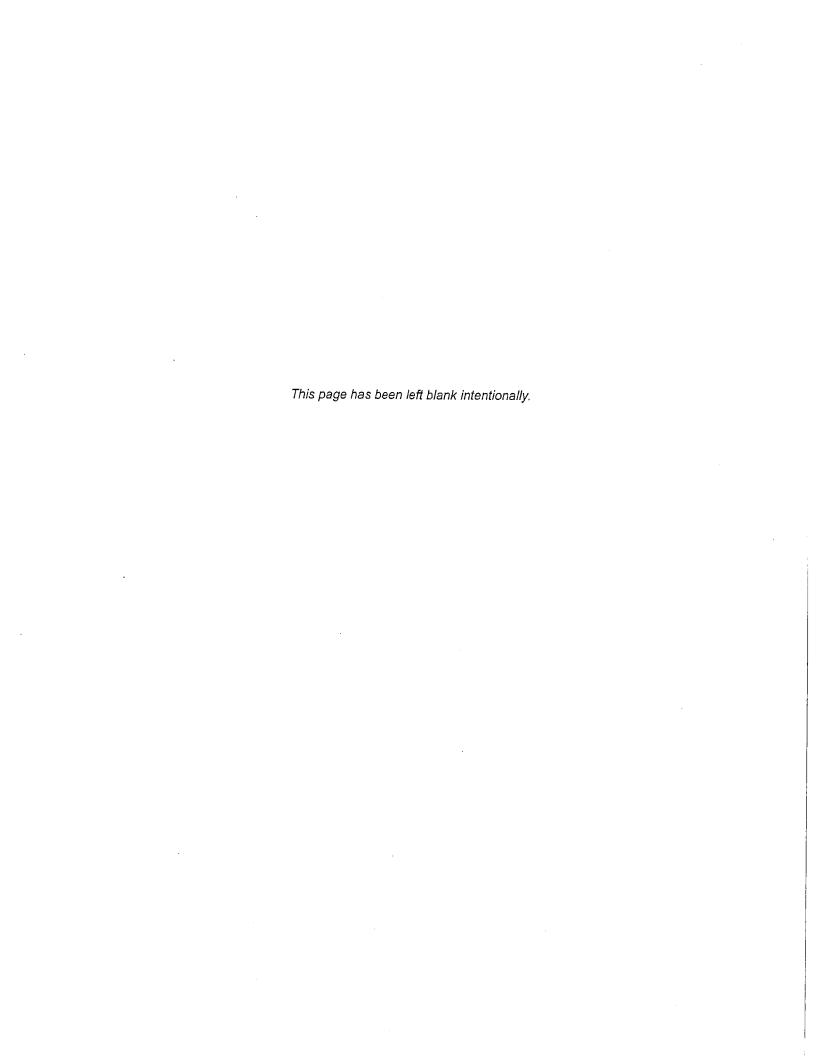
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Financial Section





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#### **Independent Auditor's Report**

To the City Council City of Buffalo, Texas 812 N Buffalo Ave Buffalo, Texas 75831

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Buffalo, Texas ("the City") 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Buffalo, 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

is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buffalo, Texas' basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020 on our consideration of City of Buffalo, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Buffalo, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Davis, Heinemann + Co.

Davis, Heinemann & Company, P.C.

Huntsville, Texas March 20, 2020



#### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Buffalo, Texas' annual financial report presents our discussion 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

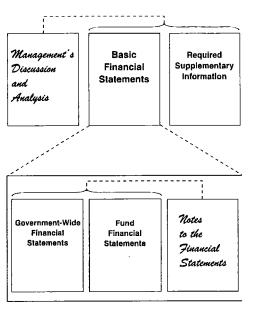
- The City's total combined net position was \$10,243,717 at September 30, 2019.
- During the year, the City's expenses were \$3,297,187 which were 790,177 less than the \$4,087,364 generated in taxes, charges for services and other revenues for Governmental and business-type activities.
- The general fund reported a fund balance this year of \$2,420,637.

#### **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.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.
- Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



Detail

The financial statements also include notes that explain some of the Summary 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

#### **Government-wide Statements**

and related to one another.

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 it has 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 is 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 nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general administration, public safety, streets and bridges, buildings and grounds, and financial and professional. Property, sales and franchise taxes finance most of these activities.

#### **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-term and short-term financial information.

#### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$10,243.7 thousand at September 30, 2019. (See Table A-1)

Table A-1
Statement of Net Position
(In thousands of dollars)

	Governmental Business-type Activities Activities				<b>.</b>	4.1						
		2019	vities	2018		2019	vities	2018		2019	tal	2018
Current Assets:		2013		2010		2013		2010		2015		2010
Cash and Cash Equivalents	\$	1,501.1	\$	1,554.2	\$	921.0	\$	1,315.4	\$	2,422.1	\$	2,869.6
Investments	•	750.6	•	494.1	·	251.9		· <u>-</u>	·	1,002.5	·	494.1
Internal Balances		(194.8)		(206.7)		194.8		206.7		-		
		743.8		585.6		134.6		122.0		878.4		707.6
Receivables  Due from Other Governments		743.0		303.0		0.2		3.0		0.2		3.0
		-		-								
Inventory		-		-		17.0		17.0	-	17.0		17.0
Net Pension Asset				20.0	_	4 540 5	_	31.0		4 000 0	_	51.0
Total Current Assets:		2,800.7	_	2,447.2	_	1,519.5	_	1,695.1	_	4,320.2	_	4,142.3
Restricted Cash		501.7		400.8		281.4		275.4		783.1		676.2
Capital Assets		6,292.9		6,111.0		13,256.1		12,784.2		19,549.0		18,895.2
Less Accumulated								·				
Depreciation		(3,060.9)		(2,910.0)		(5,637.2)		(5,237.5)		(8,698.1)		(8,147.5)
Capital Assets, Net		3,232.0		3,201.0		7,618.9		7,546.7		10,850.9		10,747.7
Total Assets		6,534.4		6,049.0		9,419.8		9,517.2		15,954.2		15,566.2
Deferred Outflows of Resources						,						
Related to Pension		59.0		35.9		44.0		29.9		103.0		65.8
Related to OPEB		1.5		1.9		1.0		1.3		2.5		3.2
Total Deferred Outflows of Resources		60.5		37.8		45.0		31.2	_	105.5		69.0
Current Liabilities:												
Accounts Payable and												
Accrued Liabilities		92.0		91.0		49.5		81.0		141.5		172.0
Interest Payable		6.4		6.4		14.0		14.0		20.4		20.4
Customer Deposits Payable		-		-		78.5		72.9		78.5		72.9
Current Long-Term Debt		57.8		103.1		260.0		250.0		317.8		353.1
Total Current Liabilities		156.2		200.5		402.0	_	417.9		558.2		618.4
Long-Term Liabilities:												
Bonds		_				4,820.0		5,080.0		4,820.0		5,080.0
Capital Leases		_		137.1		-		-		-		137.1
Notes		182.2		115.9		_		-		182.2		115.9
Bond Premium and Deferred Charges		-		-		53.2		56.8		53.2		56.8
Compensated Absences		56.0		38.1		1.9		6.5		57.9		44.6
Net Pension Liability		51.8		-		23.6		_		75.4		-
Net OPEB Liability		29.2		29.0		27.0		26.9		56.2		55.9
Total Long-Term Liabilities		319.2		320.1	_	4,925.7		5,170.2		5,244.9		5,490.3
Total Liabilities		475.4		520.6		5,327.7		5,588.1	_	5,803.1		6,108.7
Deferred Inflows of Resources												
Related to Pensions		7.2		40.1		2.3		32.8		9.5		72.9
Related to OPEB		1.9		-		1.5				3.4		-
Total Deferred Inflows of Resources		9.1		40.1	_	3.8		32.8		12.9	_	72.9
Net Position:												
Invested in Capital Assets		2,992.0		2,844.9		2,538.9		2,216.7		5,530.9		5,061.6
Restricted		427.0		568.8		-,000.0		_,		427.0		568.8
Unrestricted		2,691.4		2,112.4		1,594.4		1,710.8		4,285.8		3,823.2
Total Net Position	\$	6,110.4	\$	5,526.1	\$	4,133.3	\$	3,927.5	\$	10,243.7	\$	9,453.6
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Changes in net position. The City's total revenues were \$4,087.4 thousand and total expenses were \$3,297.2 thousand which resulted in an increase in net position of \$790.2 thousand. (See Table A-2.)

Table A-2
Changes in City's Net Position
(In thousands of dollars)

	Govern					
	Activ	rities	Activi	ities	Tota	al
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program Revenues:						
Charges for services	\$ 363.3	\$ 338.8	\$ 1,351.7	\$ 1,346.2	\$ 1,715.0	\$ 1,685.0
Operating Grants	9.1	0.3	0.2	115.1	9.3	115.4
Capital Grants	70.3	1.6	-	-	70.3	1.6
General Revenues:						
Ad Valorem Taxes	506.2	453.6	-	-	506.2	453.6
Sales Taxes	1,387.5	1,179.4	-	-	1,387.5	1,179.4
Hotel Motel Taxes	234.0	172.3	-	-	234.0	172.3
Franchise Taxes	119.5	119.0	-	-	119.5	119.0
Gain on Sale of Capital Assets	-	1.7	-	-	-	1.7
Interest Income	23.4	9.6	14.9	4.9	38.3	14.5
Miscellaneous	6.2	13.7	1.1	37.3	7.3	51.0
Transfers	(415.4)		415.4			
Total Revenues	2,304.1	2,290.0	1,783.3	1,503.5	4,087.4	3,793.5
Program Expenses:						
General Government	605.0	544.3	-	-	605.0	544.3
Public Safety	584.6	616.9	-	-	584.6	616.9
Public Works	210.0	99.9	-	-	210.0	99.9
Cultural & Recreation	304.9	308.3	-	-	304.9	308.3
Interest on Long Term Debt	15.2	6.7	-	-	15.2	6.7
Water, Sewer & Sanitation			1,577.5	1,823.1	1,577.5	1,823.1
Total Expenses	1,719.7	1,576.1	1,577.5	1,823.1	3,297.2	3,399.2
Change in Net Position	\$ 584.4	\$ 713.9	\$ 205.8	\$ (319.6)	\$ 790.2	\$ 394.3

Changes in net position. The City's total revenues were \$4,087,364. A significant portion, forty-two (42) percent, of the City's revenue comes from charges for services and fifty-five (55) percent of revenue comes from various taxing sources. Two (2) percent of total revenues came from operating grants and contributions the remaining one (1) percent comes from interest earnings and miscellaneous sources. Sales tax collections increased by eighteen (18) percent from the previous year.

The total cost of all programs and services was \$3,297,187.

The largest expenditures in Governmental Activities were in the general government department and in the Business-Type Activities treatment and distribution of water and wastewater.

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

#### **General Fund Budgetary Highlights**

Actual expenditures in the General Fund were \$89,063 less than final appropriations. Revenues were \$64,607 over final estimated revenues for the fiscal year. This was due to the increase in sales tax revenue during the year. At year end, the City's new convention center was complete.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### **Capital Assets**

At the end of 2019, the City had invested \$19,549.1 thousand in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.)

Table A-3
Capital Assets
(In thousands of dollars)

	Governmental					ss-ty	/pe				
	Activ	/ities			Activ	vities			To	tal	
	<u>2019</u>	<u>2018</u>		<u>2019</u>		<u>2018</u>		<u>2019</u>		<u>2018</u>	
Land	\$ 229.3	\$	229.3	\$	4.8	\$	4.8	\$	234.1	\$	234.1
Construction in Progress	26.5		1,487.8		230.0		150.2		256.5		1,638.0
Buildings and Improvements	3,801.3		2,187.4		-		-		3,801.3		2,187.4
Infrastructure	708.6		708.6		-		-		708.6		708.6
Equipment	406.6		377.3		114.8		114.8		521.4		492.1
Vehicles	1,040.9		1,040.9		100.7		100.7		1,141.6		1,141.6
Office Equipment	79.7		79.7		3.5		3.5		83.2		83.2
Water and Sewer System	-		-		12,802.3		12,410.2		12,802.3		12,410.2
Totals at Historical Cost	6,292.9		6,111.0	_	13,256.1	_	12,784.2	_	19,549.0	_	18,895.2
Total Accumulated Depreciation	(3,060.9)		(2,910.0)		(5,637.2)		(5,237.5)		(8,698.1)		(8,147.5)
Net Capital Assets	\$ 3,232.0	\$	3,201.0	\$	7,618.9	\$	7,546.7	\$	10,850.9	\$	10,747.7

#### **Long Term Debt**

At year-end the City had \$5,562.8 thousand in outstanding debt as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4 Long Term Debt (In thousands of dollars)

		Govern Activ	ment vities	al	Busine: Activ	•	pe	Total				
	2	<u> 2019</u>		<u>2018</u>	<u>2019</u>		<u>2018</u>		<u>2019</u>		<u>2018</u>	
Bonds	\$	-	\$	-	\$ 5,080.0	\$	5,330.0	\$	5,080.0	\$	5,330.0	
Leases Payable		-		180.2	-		-		-		180.2	
Notes Payable		240.0		175.9	-		-		240.0		175.9	
Bond Premium		-		-	341.5		358.1		341.5		358.1	
Deferred Charges		-		-	(288.3)		(301.4)		(288.3)		(301.4)	
Net Pension Liability		51.9		-	23.6		-		75.5		-	
Net OPEB Liability		29.2		29.0	27.0		26.9		56.2		55.9	
Compensated Absences		56.0		38.1	1.9		6.5_		57.9		44.6	
Total Long Term Debt	\$	377.1	\$	423.2	\$ 5,185.7	\$	5,420.1	\$	5,562.8	\$	5,843.3	

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

The General Fund budget for fiscal year 2019-2020 reflects an increase in appropriations over the prior year.
 The largest increases in appropriations are in the Street department. The increase in street expenditures are due to the \$1.3 million in estimated grant revenue. Other departments having an increase in appropriations is

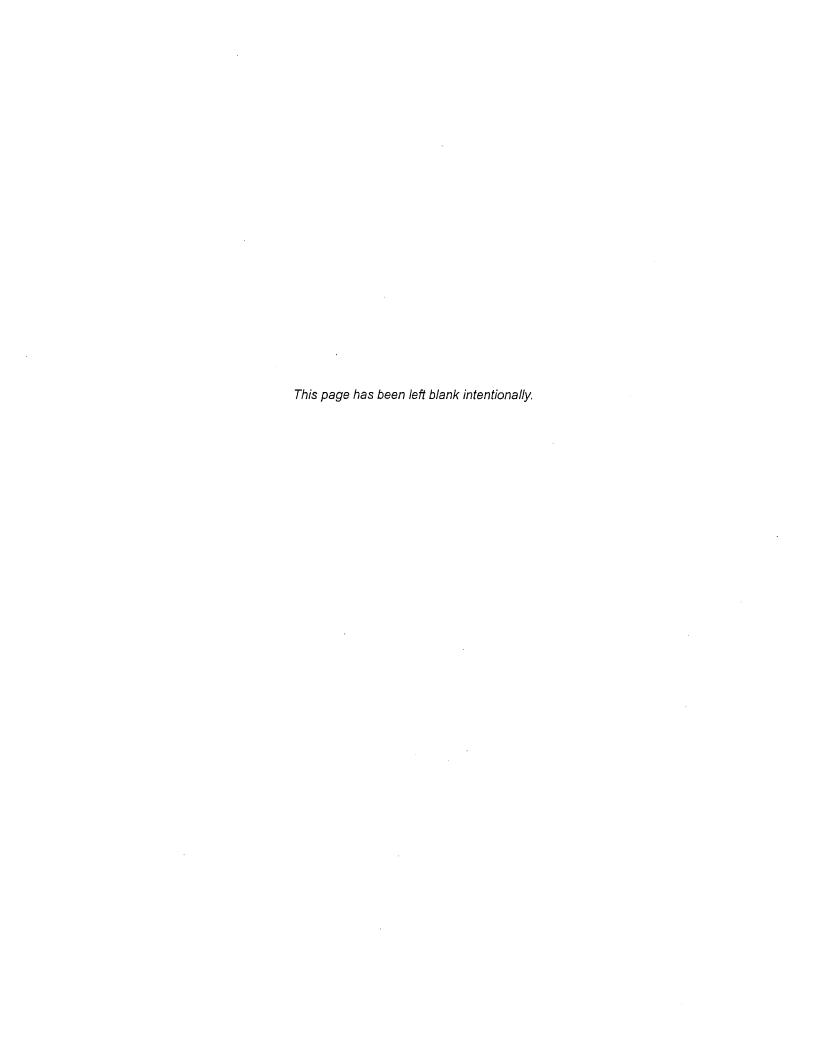
Municipal Court and Parks. Total estimated revenue is budgeted to increase by almost seventy (70) percent due to the estimated grant revenue.

• The service revenue is estimated to remain the same for fiscal year 2019-2020. The budget reflects a substantial transfer from Debt Service fund to fund long term debt payments. The expenses are budgeted to decrease twelve (12) percent for the fiscal year 2019-2020.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Secretary.

Basic Financial Statements



# **CITY OF BUFFALO, TEXAS** STATEMENT OF NET POSITION

**SEPTEMBER 30, 2019** 

	Government Activities	al Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,501,15		\$ 2,422,186
Investments	750,59		1,002,455
Receivables (net of allowances for uncollectibles):	743,75		878,400
Other Receivables		- 218	218
Internal Balances	(194,79		
Inventories		- 16,988	16,988
Restricted Assets:			
Cash and Cash Equivalents	501,68	34 281,415	783,099
Noncurrent Assets:			
Capital Assets ( net of accumulated depreciation):	3,232,0		10,850,934
Total Assets	6,534,4	9,419,870	15,954,280
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pension	59,00	05 43,985	102,990
Deferred Outflow Related to OPEB	1,5°	10 1,061	2,571
Deferred Charges on Refunding		- 288,259	288,259
Total Deferred Outflows of Resources	60,5	15 333,305	393,820
LIABILITIES:			
Accounts Payable and Other Current Liabilities	91,99		141,516
Refundable Customer Deposits		- 78,493	78,493
Accrued Interest Payable	6,3	61 13,971	20,332
Noncurrent Liabilities-			
Due within one year	57,79	97 260,000	317,797
Due in more than one year	319,2	5,214,013	5,533,276
Total Liabilities	475,4	5,616,003	6,091,414
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflow Related to Pensions	7,2	01 2,339	9,540
Deferred Inflow Related to OPEB	1,9	14 1,515	3,429
Total Deferred Inflows of Resources	9,1		12,969
NET POSITION:			
Net Investment in Capital Assets	2,992,0	10 2,538,924	5,530,934
Restricted For:			
Debt Service	214,7	57 -	214,757
Capital Projects	36,1		36,106
Tourism	176,1		176,147
Unrestricted	2,691,3		4,285,773
Total Net Position	\$ 6,110,3		\$ 10,243,717

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019

	•	Program Revenues						
			Charges for				Capital Grants and	
Functions/Programs	 Expenses	_	Services	_C(	ontributions	<u>_C</u>	ontributions	
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$ 604,964	\$	6,600	\$	8,376	\$	-	
Public Safety	584,613		340,791		747		-	
Public Works	210,031		14,560		-		70,311	
Culture and Recreation	304,923		1,314		-		-	
Interest on Long-term Debt	15,174		-					
Total Governmental Activities	1,719,705	_	363,265		9,123	_	70,311	
Business-type Activities:								
Water, Sewer and Garbage Utility	 1,577,482	_	1,351,720		176	_	-	
Total Business-type Activities	 1,577,482	_	1,351,720		176	_	<u> </u>	
Total Primary Government	\$ 3,297,187	<b>\$</b> _	1,714,985	\$	9,299	\$_	70,311	

General Revenues:

**Property Taxes** 

Sales Taxes

Franchise Taxes

Hotel/ Motel Taxes

Interest Income

Miscellaneous

Transfers

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
\$	(589,988)			\$	(589,988)
	(243,075)				(243,075)
	(125,160)				(125,160)
	(303,609)				(303,609)
	. (15,174)				(15,174)
-	(1,277,006)			_	(1,277,006)
	-	\$	(225,586)		(225,586)
•	-		(225,586)	_	(225,586)
	(1,277,006)	_	(225,586)	_	(1,502,592)
	506,155		-		506,155
	1,387,546				1,387,546
	119,501		-		119,501
	234,031		-		234,031
	23,402		14,897		38,299
	6,154		1,083		7,237
	(415,450)		415,450		-
	1,861,339		431,430		2,292,769
	584,333		205,844		790,177
	5,526,066	_	3,927,474	_	9,453,540
\$	6,110,399	\$_	4,133,318	\$_	10,243,717

CITY OF BUFFALO, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

		General Fund		Debt Service Fund	G	Other Governmental Funds		Total overnmental Funds
ASSETS AND OTHER DEBITS:			-					
Assets:								. =
Cash and Cash Equivalents	\$	1,174,805	\$	166,389	\$	159,957	\$	1,501,151
Investments		750,599		45 700		-		750,599
Receivables (net of allowances for uncollectibles):		326,652 21,035		45,793		52,296		424,741 23,610
Due from Other Funds Restricted Assets:		21,035		2,575		_		25,010
Cash and Cash Equivalents		501,684		_		-		501,684
Total Assets and Other Debits	<u>\$</u>	2,774,775	<u>\$</u> _	214,757	\$	212,253	\$	3,201,785
Total 7030to and Other Books	Ψ==		*=		*=		<b>'</b> =	0,20.,.00
LIABILITIES, DEFERRED INFLOWS OF RESOURCES Liabilities:	AND	FUND BALAI	NCES	S:				
Accounts Payable	\$	91,990	\$	-	\$	-	\$	91,990
Due to Other Funds		218,403		-				218,403
Total Liabilities		310,393		-		-		310,393
D ( ) ( ) ( D								
Deferred Inflows of Resources:		40 745		45 702				89,538
Deferred Property Taxes Total Deferred Inflows of Resources	-	43,745 43,745	_	45,793 45,793	_	<u>-</u>	_	89,538
Total Deferred lilliows of Resources	_	43,745	_	45,795	_			09,000
Fund Balances:								
Restricted Fund Balances: Restricted for Debt Service				168,964		_		168,964
Restricted for Tourism		-		100,904		- 176,147		176,147
Restricted for Law Enforcement		3,676		-		170,147		3,676
Restricted for Capital Projects				-		36,106		36,106
Unassigned		2,416,961		-		-		2,416,961
Total Fund Balance		2,420,637	_	168,964	_	212,253		2,801,854
	-				_	·		<del> </del>
Total Liabilities, Deferred Inflows of Resources								
and Fund Balance	\$	2,774,775	\$	214,757	\$	212,253	\$	3,201,785

CITY OF BUFFALO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet	\$	2,801,854
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		3,232,010
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		89,538
Payables for bond interest which are not due in the current period are not reported in the funds.		(6,360)
Payables for notes which are not due in the current period are not reported in the funds.		(240,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	-	(55,957)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.		319,019
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.		(51,926)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(7,201)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		59,005
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.		(29,177)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(1,914)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	_	1,510
Net position of governmental activities - Statement of Net Position	\$	6,110,399

**CITY OF BUFFALO, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

		General Fund	Debt Service Fund		Other Governmental Funds		G	Total overnmental Funds
Revenue:								
Taxes:								
General Property Taxes	\$	119,147	\$	380,935	\$	-	\$	500,082
General Sales and Use Taxes		1,381,460		-		-		1,381,460
Franchise Fees		119,501		-		-		119,501
Alcoholic Beverages		6,086		-		-		6,086
Hotel/Motel Taxes		-		-	234,	,031		234,031
License and Permits		1,314		-		-		1,314
Intergovernmental		78,040		-		-		78,040
Fines and Fees		264,138		-		-		264,138
Interest Income		19,411		3,017		974		23,402
Rents and Royalties		-		-		,550		2,550
Miscellaneous		13,220				058		15,278
Total Revenues		2,002,317		383,952	239,	613	_	2,625,882
Expenditures:								
General Government		587,436		-	126,	,001		713,437
Public Safety		533,650		-		-		533,650
Public Works		210,031		-		-		210,031
Culture and Recreation		142,799		-	99,	,471		242,270
Principal		-		180,165		,000		240,165
Interest and Fiscal Charges		-		10,276	4,	,898		15,174
Total Expenditures		1,473,916		190,441	290	,370		1,954,727
Excess (Deficiency) of Revenues								
Over (Under) Expenditures		528,401	_	193,511	(50	<u>,757)</u>		671,155
Other Financing Sources (Uses):								
Transfers Out		-		(415,450)		-		(415,450)
Note Proceeds		-		-	124	,111		124,111
Total Other Financing Sources (Uses)	_	-	_	(415,450)	124	,111		(291,339)
Net Change in Fund Balances		528,401		(221,939)	73	,354		379,816
Fund Balances - Beginning		1,892,236		390,903		,899	_	2,422,038
Fund Balances - Ending	\$	2,420,637	\$	168,964	\$ 212	,253	\$	2,801,854

**CITY OF BUFFALO, TEXAS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds	\$ 379,816
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	181,877
The depreciation of capital assets used in governmental activities is not reported in the funds.	(150,840)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	6,072
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	180,165
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	60,000
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds	(17,860)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	87,534
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(124,111)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(15,913)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	 (2,407)
Change in net position of governmental activities - Statement of Activities	\$ 584,333

CITY OF BUFFALO, TEXAS STATEMENT OF NET POSITION ENTERPRISE FUND **SEPTEMBER 30, 2019** 

	Enterprise Fund Water, Sewer and Garbage Utility Fund	
ASSETS:		
Current Assets:	\$ 921,035	
Cash and Cash Equivalents	φ 921,035 251,856	
Investments Receivables (net of allowances for uncollectibles):	134,859	
Due from other funds	215,828	
Inventories	16,988	
Total Current Assets	1,540,566	
Restricted Assets:		
Cash and Cash Equivalents	281,415	
Noncurrent Assets:		
Capital Assets:	10.455.005	
Property, Plant and Equipment	13,155,285	
Idle Assets	100,799 (5,637,160)	
Less Accumulated Depreciation	7,618,924	
Total Noncurrent Assets Total Assets	9,440,905	
10161 755615		
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflow Related to Contributions	43,985	
Deferred Outflow Related to OPEB	1,061	
Deferred Charges on Refunding	288,259	
Total Deferred Outflows of Resources	333,305	
Total Assets and Deferred Outflows of Resources	\$ 9,774,210	
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 49,526	
Refundable Customer Deposits	78,493	
Accrued Interest Payable	13,971	
Due To Other Funds	21,035	
Current Portion - Bonds Payable	260,000	
Noncurrent Liabilities:	4 900 000	
Bonds Payable	4,820,000 341,489	
Unamortized Bond Premiums	23,648	
Net Pension Liability Net OPEB Liability	27,010	
Compensated Absences Payable	1,866	
Total Liabilities	5,637,038	
	· · ·	
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pensions	2,339	
Deferred Inflow Related to OPEB	1,515	
Total Deferred Inflows of Resources	3,854	
NET POSITION:		
Investment in Capital Assets, Net of Related Debt	2,538,924	
Unrestricted Net Position	1,594,394	
Total Net Position	\$4,133,318	

**CITY OF BUFFALO, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - ENTERPRISE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Wa	Enterprise Fund Water, Sewer and Garbage Utility Fund	
OPERATING REVENUES: Charges for Sales and Services: Water Sales Sewer Charges Sanitation Charges Tap Fees Penalties and Fees Miscellaneous Revenue Total Operating Revenues	\$	512,022 541,764 273,129 1,550 21,087 3,427 1,352,979	
OPERATING EXPENSES: Salaries and Benefits Office Expense Supplies and Materials Maintenance and Operations Professional Services Insurance Sanitation Contract Depreciation and Amortization Miscellaneous Total Operating Expenses		431,886 6,035 136,141 86,147 78,944 26,499 246,500 396,101 3,779 1,412,032	
Operating Income  NON-OPERATING REVENUES (EXPENSES): Interest Income Interest Expense		(59,053) 14,897 (165,450)	
Total Non-operating Revenues and Expenses  INCOME (LOSS) BEFORE TRANSFERS		(150,553)	
TRANSFERS: Transfers In Total Transfers		415,450 415,450	
Change in Net Position		205,844	
Total Net Position - Beginning Total Net Position - Ending	\$	3,927,474 4,133,318	

**CITY OF BUFFALO, TEXAS** STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund Water, Sewer and Garbage
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,687,374
Cash Payments to Employees for Services	(325,247)
Cash Payments to Other Suppliers for Goods and Services	(1,041,611)
Net Cash Provided (Used) by Operating Activities	320,516
Net Oddin novided (Occur by Operating Net Net O	
Cash Flows from Non-capital Financing Activities:	
Transfers from (to) Primary Government	415,450
Net Cash Provided (Used) by Non-capital Financing Activities	415,450
Not oddin novided (esect) by non-explicit management	
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(415,450)
Acquisition or Construction of Capital Assets	(471,896)
Net Cash Provided (Used) for Capital & Related Financing Activities	(887,346)
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	14,897
Purchase of Investments	(251,856)
Net Cash Provided (Used) for Investing Activities	(236,959)
Net Increase (Decrease) in Cash and Cash Equivalents	(388,339)
Cash and Cash Equivalents at Beginning of Year	1,590,789
Cash and Cash Equivalents at End of Year	\$1,202,450
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ (59,053)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	000 101
Depreciation and Amortization	396,101
Change in Assets and Liabilities:	(10.070)
Decrease (Increase) in Receivables	(12,873)
Decrease (Increase) in Due from Other Funds	11,896
Decrease (Increase) in Due from Other Governments	3,025
Decrease (Increase) in Net Pension Asset	30,968
Decrease (Increase) in Deferred Outflows of Resources Pensions	(14,065)
Decrease (Increase) in Deferred Outflows of Resources OPEB	281
Increase (Decrease) in Accounts Payable	(31,514)
Increase (Decrease) in Refundable Customer Deposits	5,630
Increase (Decrease) in Compensated Absences	(4,610)
Increase (Decrease) in Deferred Inflows of Resources Pensions	(30,509)
Increase (Decrease) in Deferred Inflows of Resources OPEB	1,515
Increase (Decrease) in Net Pension Liability	23,648
Increase (Decrease) in Net OPEB Liability	76
Total Adjustments	379,569 \$ 320,516
Net Cash Provided (Used) by Operating Activities	\$ 320,516

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

## A. Summary of Significant Accounting Policies

The combined financial statements of City of Buffalo, Texas (the "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.

#### 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

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. 14 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.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

#### 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

Debt Service Fund. This fund accounts for the accumulation of financial resources for the payment of principal and interest on the general long-term debt of the City other than debt service payments made by the enterprise fund. Property taxes are used for the payment of principal and interest.

The City reports the following major enterprise funds:

Water, Sewer and Sanitation Fund. This fund accounts for the business-like activities of providing water, sewer and sanitation services to the public. These services are financed primarily by user charges and the measurement of financial activity focuses on net income similar to the private sector.

#### 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 not to apply future FASB standards.

#### 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 and Debt Service Funds 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.

#### c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

### d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair 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 \$5,000 is used.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

#### e. Receivable and Payable Balances

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

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

#### f. 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 or 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.

#### g. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-asyou-go plan and all cash is held in a cash account.

#### h. 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.

#### i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

#### j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

#### 4. Implementation of New Standards

In the current fiscal year, the City implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, Certain Asset Retirement Obligations

This Statement establishes accounting and financial reporting requirements for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. The disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets is also required by this Statement. This Statement also requires similar disclosures for a government's minority shares of an ARO.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

#### B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation

None reported

<u>Action Taken</u>

Not applicable

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

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Deficit

Fund Name None reported Amount

<u>Remarks</u>

Not applicable

Not applicable

#### 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 \$4,207,740 and the bank balance was \$4,324,382. The City'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 City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports 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 Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

The City's investments at September 30, 2019 are shown below.

Investment or Investment Type	<u>Maturity</u>		<u>Fair Value</u>
Certificate of Deposit	11/10/2019	\$	89,827
Certificate of Deposit	02/20/2020		155,490
Certificate of Deposit	10/26/2019		254,804
Certificate of Deposit	01/11/2020		250,478
Certificate of Deposit	01/11/2020		251,856
Total Investments		\$_	1,002,455

#### Analysis of Specific Deposit and Investment Risks:

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

#### a. Credit Risk

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

#### b. Custodial Credit Risk

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

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

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

#### c. Concentration of Credit Risk

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

#### d. Interest Rate Risk

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

#### e. Foreign Currency Risk

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

#### **Investment Accounting Policy**

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

of nonparticipating interest-earning investment contracts.

# D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land \$	229,258 \$	- \$	- \$	229,258
Construction in progress	1,487,893	152,493	1,613,894	26,492
Total capital assets not being depreciated	1,717,151	152,493	1,613,894	255,750
Capital assets being depreciated:				700.010
Road Network	708,610	<del>-</del>	-	708,610
Buildings and improvements	2,187,390	1,613,894	-	3,801,284
Equipment	459,982	26,384	-	486,366
Vehicles	1,067,002	<u> </u>	26,125	1,040,877
Total capital assets being depreciated	4,422,984	1,640,278	26,125	6,037,137
Less accumulated depreciation for:				(700.040)
Road Network	(708,610)	-		(708,610)
Buildings and improvements	(1,049,383)	(94,958)	-	(1,144,341)
Equipment	(447,930)	(7,736)	-	(455,666)
Vehicles	(704,113)	(48,147)		(752,260)
Total accumulated depreciation	(2,910,036)	(150,841)	<u> </u>	(3,060,877)
Total capital assets being depreciated, net	1,512,948	1,489,437	26,125	2,976,260
Governmental activities capital assets, net	3,230,099 \$_	<u>1,641,930</u> \$_	1,640,019 \$	3,232,010
Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land \$	4,800 \$	- \$	- \$	4,800
Idle Assets	100,799	-	-	100,799
Construction In Progress	49,379	471,897	392,062	129,214
Total capital assets not being depreciated	154,978	471,897	392,062	234,813
Capital assets being depreciated:	114 700		_	114,760
Equipment	114,760 100,692		_	100,692
Vehicles		392,062		5,652,124
Water System	5,260,062 7,150,184	392,002	_	7,150,184
Sewer System	•	_	_	3,510
Office Furniture and Equipment	3,510 12,629,208	392,062		13,021,270
Total capital assets being depreciated	12,029,200	392,002		10,021,270
Less accumulated depreciation for:	(00.070)	(2,363)	_	(92,442)
Equipment	(90,079) (58,897)	(5,225)	_	(64,121)
Vehicles	• • •	(167,841)	-	(2,121,557)
Water System	(1,953,716)	(224,228)	_	(3,355,529)
Sewer System	(3,131,301)	(224,220)	-	(3,510)
Office Furniture and Equipment	(3,510)	(399,656)		(5,637,159)
Total accumulated depreciation	(5,237,503)		<del></del> -	7,384,111
Total capital assets being depreciated, net		(7,594) 464,303 \$	392,062 \$	7,618,924
Business-type activities capital assets, net	<i>1</i> ,540,003 φ	<del></del>	<u>σσ</u> <u>ε,σσε</u> ψ	7,010,024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Depreciation was charged to functions as follows:

General Government	\$ 34,766
Public Protection:	
Cultural and Recreation	60,772
Public Safety	55,303
Street	-
Water and Sewer Facilities	 399,656
Total Governmental	\$ 550,497

#### E. Interfund Balances and Activity

# 1. Due To and From Other Funds

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

Due To Fund	Due From Fund		 Amount	Purpose
Enterprise Fund Other Governmental Funds	General Fund General Fund	Total	\$  194,792 2,575 197,367	For transfer of federal receipts Short-term loans

All amounts due are scheduled to be repaid within one year.

# 2. Transfers To and From Other Funds

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

Transfers From	Transfers To			Amount	Reason
Other Governmental Funds	Enterprise Fund	Total	\$ \$	415,450 415,450	Property tax collections

# F. 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 year ended September 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
	100 105 4	•	100 1CE Φ	ф	_
\$	180,165 \$	- \$	180,165 \$		_
	38,097	17,860	-	55,957	-
	(19,974)	71,900	-	51,926	-
	29,052	533	-	29,177	-
	175.889	124,111	60,000	240,000	57,797
\$_	403,229 \$	214,404 \$	240,165 \$	377,060 \$	57,797
	- \$ \$_	\$ 180,165 \$ 38,097 (19,974) 29,052	Balance     Increases       \$ 180,165 \$ - \$       38,097 17,860 (19,974) 71,900 29,052 533       175,889 124,111	Balance         Increases         Decreases           \$ 180,165 \$         - \$ 180,165 \$           38,097 17,860 (19,974) 71,900 - 29,052 533 - 1         - 60,000	Balance         Increases         Decreases         Balance           \$ 180,165 \$         - \$ 180,165 \$         - \$ 38,097           \$ (19,974)         71,900         - 51,926           \$ 29,052         533         - 29,177           \$ 175,889         124,111         60,000         240,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-type activities:						
General obligation bonds	\$	5,330,000 \$	- \$	250,000 \$	5,080,000 \$	260,000
Bond Premium	•	358,147	-	16,658	341,489	-
Compensated absences *		6,475	-	4,609	1,866	-
Net Pension Liability		(30,968)	54,616	-	23,648	-
Net OPEB Liability		26,934	399	-	27,010	
Total business-type activities	\$	5,690,588 \$	55,015 \$	271,267 \$	5,474,013 \$	260,000

<sup>\*</sup> Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	Governmental
Compensated absences	Business-type	Enterprise

# 2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2019, are as follows:

	Governmental Activities					
	N	lotes from Direct B				
		and Direct Placer	nents			
Year Ending September 30, Principal Interest Total						
2020	\$	57,797 \$	6,000 \$	63,797		
2021		59,241	4,555	63,796		
2022		60,722	3,075	63,797		
2023		62,240	1,556	63,796		
Totals	\$	240,000 \$	15,186 \$	255,186		

	_	Business-type Activities						
		Bonds						
Year Ending September 30,	_	Principal	Interest	Total				
2020	\$	260,000 \$	155,250 \$	415,250				
2021		275,000	144,550	419,550				
2022		280,000	133,450	413,450				
2023		295,000	121,950	416,950				
2024		305,000	109,950	414,950				
2025-2029		1,680,000	402,075	2,082,075				
2030-2034		1,310,000	175,350	1,485,350				
2035-2039		555,000	60,375	615,375				
Totals	\$_	5,080,000 \$	1,304,750 \$	6,384,750				

Governmental Activities:

Notes Payable:

The City obtained a line of credit from Community National Bank and Trust of Texas June 20, 2018 in the amount of \$500,000 to complete the new City Hall building. The note is payable in annual payments of \$60,000 with an interest rate of 2.50%.

Balance at September 30, 2019

240,000

The note is secured by a perfected security interest in the Hotel Occupancy Tax levied by the City.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

#### **Business Activities:**

Bonds and Certificates of Obligations:

The City issued General Obligation Refunding Bonds, Series 2016, in the amount of \$5,535,0000. The interest rate ranges from 2.75% to 4.00% with bonds maturing annually through 2040. The purpose of the issue was to refund Tax and Revenue Certificates of Obligation, Series 2008A and Waterworks and Sewer System Revenue Bond, Series 2009. Balance at September 30, 2019

\$ 5,080,000

Principal and interest on the Bonds is payable from the receipts of an annual ad valorem tax, levied within the limits prescribed by law, against all taxable property located within the City. The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.

#### G. 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. During fiscal year 2019, the City obtained general liability 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 above insurance coverage. 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 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.

#### H. Pension Plan

#### 1. Plan Description

The City participates in a 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	12
Active employees	17
Total covered employees	34

#### 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 were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.80% and 4.82% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$31,468, 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:

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 male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100%. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan is reviewed annually. No additional changes were made for the 2016 valuation, 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 is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 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 2018 are summarized in the following table:

Assat Olasa	Target	Long-Term Expected  Real Rate of Return (Arithmetic)
Asset Class	<u>Allocation</u>	riear rate or rieturn (Antimetro)
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	100.0%	

### Discount Rate

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Increase (Decrease)				
		Total Pension	Plan Fiduciary	Net Pension	
Changes in Net Pension Liability		Liability	Net Position	Liability	
		(a)	(b)	(a) - (b)	
Balance at 12/31/2017	\$	1,409,180 \$	1,460,121 \$	(50,941)	
Changes for the year					
Service cost		56,806	-	56,806	
Interest		95,600	-	95,600	
Change of benefit terms		-	-	-	
Difference between expected					
and actual experience		(13,252)	-	(13,252)	
Changes of assumptions		-	-	-	
Contributions - employer		-	28,063	(28,063)	
Contributions - employee		-	29,221	(29,221)	
Net investment income		-	(43,756)	43,756	
Benefit payments, including					
refunds of employee contributions		(42,582)	(42,582)	-	
Administrative expense		-	(845)	845	
Other changes		-	(44)	44	
Net changes		96,572	(29,943)	126,515	
Balance at 12/31/2018	\$	1,505,752 \$	1,430,178 \$	75,574	

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.

	 Decrease in scount Rate	Discount Rate	1% Increase in Discount Rate	
Sensitivity of the net Pension Liability to Changes in the Discount Rate	\$ 231,567 \$	75,574 \$	(58,360)	

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$59,459.

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

	 erred Outflows Resources	 Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 1,184	\$ (9,540)		
Changes in actuarial assumptions	83	-		
Difference between projected and actual investment earnings	75,381	-		
Contributions subsequent to the measure- ment date	26,342	-		
Total	\$ 102,990	\$ (9,540)		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

\$26,342 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 ended Dec. 31:

2020	\$ 23,454
2021	\$ 6,953
2022	\$ 8,237

### Other Post-Employment Benefits

### Supplemental Death Benefits Plan

## 1. Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

#### 2. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Plan.

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving bnefits	4
Active employees	17_
Total covered employees	26

### 3. Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Employees of the City were required to contribute 0.38% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.14% and 0.13% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$607 and were equal to the required contributions.

#### 4. Total OPEB Liability

#### **Actuarial Assumptions**

The actuarial assumptions used in the calculation of the funding valuation for the SDBF are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

#### Assumptions:

- a. Mortality Rates Same as for the Pension Trust Fund
- b. Investment Return A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- c. Actuarial Cost Method For the purpose of calculating an employer's actuarially determined contributions rate, the one-year term cost is used.
- d. Valuation of Assets Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- e. Changes in Actuarial Assumptions and Methods There were no changes since the prior valuation.

#### Benefit Provisions:

- a. Participation in SDBF Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- b. Benefit Eligibility Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- c. Benefit Amount The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

### Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Changes in the Total OPEB Liability	_	Total OPEB Liability
Balance at September 30, 2018	\$	55,986
Changes for the year		
Service cost		2,922
Interest		1,897
Change of benefit terms		-
Difference between expected and actual experience		(922)
Changes of assumptions		(3,404)
Contributions - employer		-
Contributions - employee		-
Net investment income		-
Benefit payments, including refunds of employee contributions		(292)
Administrative expense		-
Other charges		-
Net changes	_	201
Balance at September 30, 2019	\$_	56,187

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

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

	 Decrease in scount Rate	Discount Rate	1% Decrease in Discount rate		
Total OPEB liability	 \$ (2.71%) 65,373 \$	(3.71%) 56,187	(4.71%) \$ 48,667		

### OPEB Plan Total Liability:

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

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 \$4,708.

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
Difference between expected and actual economic experience (net		
of current year amortization)	-	(731)
Changes in actuarial assumptions	2,216	(2,698)
Differences between projected and actual investment earnings (net		•
of current year amortization)	055	-
Contributions subsequent to the measurement date	 355	
Total	\$ 2,571 \$	(3,429)

\$355 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 total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources to OPEB will be recognized in OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Fiscal year ended September 30	
2020	\$ (111)
2021	\$ (111)
2022	\$ (253)
2023	\$ (738)
Thereafter	\$ -

#### J. Health Care Coverage

During the year ended September 30, 2019, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$781 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer.

# K. <u>Commitments and Contingencies</u>

## 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 any money received may be required and the collectibility 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

No reportable litigation was pending against the City at September 30, 2019.

#### L. Subsequent Events

The City did not have any subsequent events through March 20, 2020, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2019.

# 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 BUFFALO, TEXAS GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Budgete	d Ar	nounts				Variance with Final Budget Positive
		Original		Final		Actual		(Negative)
Revenue:	_		_				_	
Taxes:								
General Property Taxes	\$	127,519	\$	126,025	\$	119,147	\$	(6,878)
General Sales and Use Taxes		1,022,000		1,317,945		1,381,460		63,515
Franchise Fees		118,900		119,501		119,501		-
Alcoholic Beverages		4,000		6,086		6,086		-
License and Permits		1,200		1,314		1,314		-
Intergovernmental		57,400		78,040		78,040		-
Fines and Fees		324,000		257,000		264,138		7,138
Interest Income		4,000		18,228		19,411		1,183
Miscellaneous		35,200		13,571		13,220	_	(351)
Total Revenues		1,694,219	_	1,937,710	_	2,002,317	_	64,607
Expenditures:								
General Government		654,867		565,118		587,436		(22,318)
Public Safety		576,015		653,479		533,650		119,829
Public Works		294,750		204,423		210,031		(5,608)
Culture and Recreation		154,284		139,959		142,799		(2,840)
Total Expenditures	_	1,679,916	_	1,562,979		1,473,916	_	89,063
Excess (Deficiency) of Revenues	_		_				_	
Over (Under) Expenditures	_	14,303	_	374,731	_	528,401		153,670
Other Financing Sources (Uses):								
Total Other Financing Sources (Uses)	_	-	_		_		-	-
Net Change in Fund Balances		14,303		374,731		528,401		153,670
Fund Balances - Beginning		1,892,236		1,892,236		1,892,236		-
Fund Balances - Ending	\$_	1,906,539	\$_	2,266,967	\$_	2,420,637	\$_	153,670

**CITY OF BUFFALO, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM LAST TEN FISCAL YEARS \*

	_	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	\$	56,806 \$	51,838 \$	54,141 \$	48,490 \$	47,302
Interest (on the Total Pension Liability)		95,600	88,589	81,977	76,195	71,246
Changes in benefit terms		-	-	-	-	-
Difference between expected and						
actual experience		(13,252)	2,360	701	(1,562)	(13,088)
Change in assumptions		-	-	-	33,003	-
Benefit payments, including refunds						
of employee contributions		(42,582)	(40,226)	(35,207)	(30,755)	(39,944)
Net Change in Total Pension Liability	\$	96,572 \$	102,561 \$	101,612 \$	125,371 \$	65,516
Total Pension Liability - Beginning		1,409,180	1,306,619	1,205,007	1,079,636	1,014,120
Total Pension Liability - Ending (a)	\$_	1,505,752 \$	1,409,180 \$	1,306,619 \$	1,205,007 \$	1,079,636
Plan Fiduciary Net Pension						
Contributions - Employer	\$	28,063 \$	25,117 \$	22,686 \$	22,734 \$	25,281
Contributions - Employee		29,221	26,721	27,936	25,602	25,325
Net Investment Income		(43,756)	176,484	79,684	1,713	62,274
Benefit Payments, including refunds						
of employee contributions		(42,582)	(40,226)	(35,207)	(30,755)	(39,944)
Administrative expense		(845)	(914)	(900)	(1,043)	(650)
Other		(45)	(46)	(48)	(52)	(53)
Net Change in Plan Fiduciary						
Net Position	\$	(29,944)\$	187,136 \$	94,151 \$	18,199 \$	72,233
Plan Fiduciary Net Position - Beginning		1,460,122	1,272,986	1,178,835	1,160,636	1,088,403
Plan Fiduciary Net Position - Ending (b)	\$_	1,430,178 \$	1,460,122 \$	1,272,986 \$	1,178,835 \$	1,160,636
Net Pension Liability - Ending (a) - (b)	\$_	75,574 \$	(50,942)\$_	33,633 \$	26,172 \$	(81,000)
Plan fiduciary net position as a percentage						
of the total pension liability		94.98%	103.62%	97.43%	97.83%	107.50%
Covered Employee Payroll	\$	584,424 \$	534,410 \$	558,730 \$	512,034 \$	506,505
Net Pension Liability as a Percentage						
of Covered Payroll		12.93%	-9.53%	6.02%	5.11%	-15.99%

<sup>\*</sup> This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**CITY OF BUFFALO, TEXAS** SCHEDULE OF CITY CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM LAST TEN FISCAL YEARS \*

	 2019	2018	 2017	2016		2015
Actuarially determined contribution	\$ 31,467	\$ 24,333	\$ 25,990	\$ 22,9	13 \$	23,015
Contributions in relation to the actuarially determined contribution	31,467	24,333	25,990	22,9	13	23,015
Contribution deficiency (excess)	\$ 	\$ <u> </u>	\$ 	\$	<u> </u>	-
City's covered-employee payroll Covered employee payroll Contributions as a percentage of	\$ 584,424 \$	\$ 534,410	\$ 534,329	\$ 551,7	67 \$	502,832
covered-employee payroll	5.38%	4.55%	4.86%	4.15	5%	4.58%

<sup>\*</sup> This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF BUFFALO, TEXAS SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEXAS MUNICIPAL RETIREMENT SYSTEM LAST TEN FISCAL YEARS \*

	Measurement 2018		Year Ended 2017
Total OPEB Liability - Beginning of Year	\$	55,986 \$	s 48,251
Changes for the Year Services Cost Interest on Total OPEB Liability Changes in Benefit Terms Differences between expected and actual experience Changes in assumptions or Other Inputs Benefit Payments **	_	2,922 1,897 - (922) (3,404) (292)	2,351 1,863 - - 3,788 (267)
Net Change Total OPEB Liability - End of Year	\$ <u></u>	201 56,187	7,735 55,986
Covered Payroll	\$	584,424	534,410
Total OPEB liability as a Percentage of Payroll		9.61%	10.48%

<sup>\*\*</sup> Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to to the employer's yearly contribution for retirees.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2019

### A. Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. 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.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days prior, public notice of the meeting has been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended in the same format as adopted, by approval of a majority of the members of the City Council. Amendments are presented to the Council at regular meetings.

Each amendment must have City Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end as required by law.

#### B. Define Benefit Pension Plan

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal

Amortization method Level percentage of payroll, closed

Remaining amortization period 18 years

Asset valuation method 10 year smoothed market; 15% soft corridor

Inflation 2.50%

Salary increases 3.50% to 10.5%, including inflation

Investment rate of return 6.75%

Retirement age Experience-based table of rates that are specific to the City's

plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment

with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational

basis with scale BB.

Other information There were no benefit changes during the year.

# C. Define Benefit Postemployment Benefits Other than Pension Plan

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:

Inflation 2.50%

Salary increases 3.50% to 10.5%, including inflation

Discount Rate 3.71%

Administrative expenses All administrative expenses are paid through the Pension

Trust and accounted for under reporting requirements under

GASB Statement No. 68.

Mortality rates - service retirees RP2000 Combined Mortality Table with Blue Collar Adjustment

with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational

basis with scale BB.

Mortality rates - disabled retirees RP2000 Combined Mortality Table with Blue Collar Adjustment

with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality

improvements subject to the 3% floor.

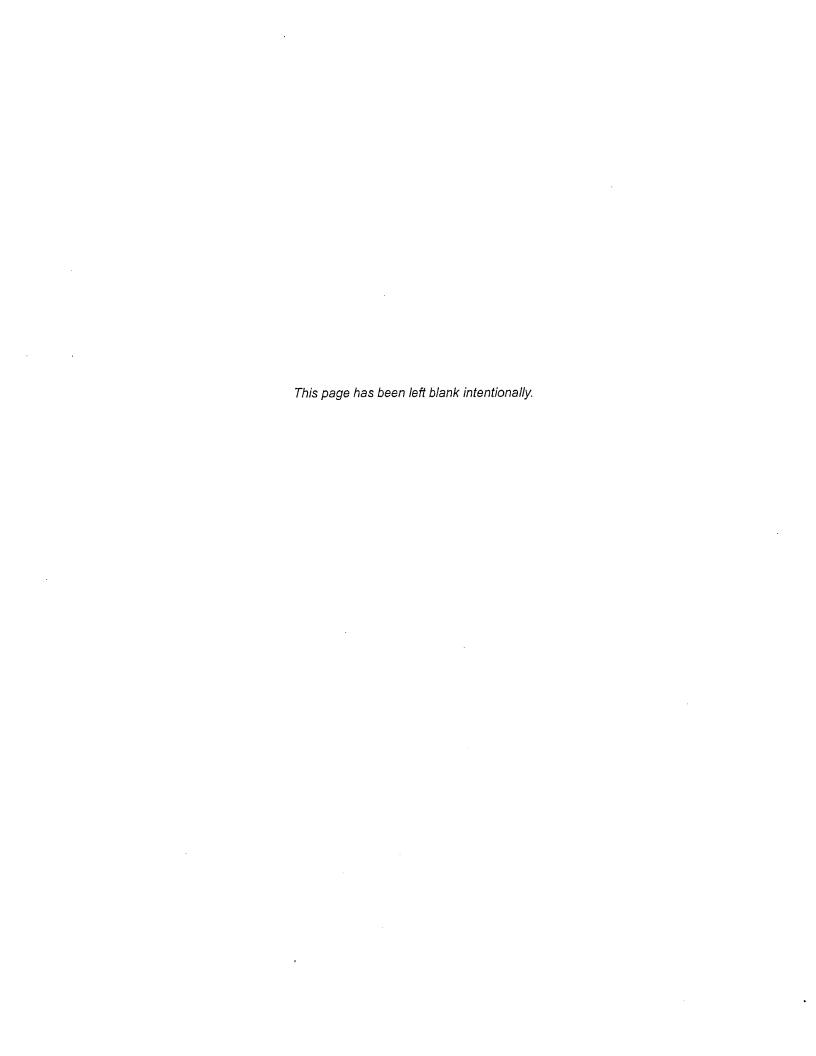
Other information: The actuarial assumptions used in the December 3, 2018 Notes valuation were based on the results of an actuarial

valuation were based on the results of an actuarial experience study for the period December 31, 2010 to

December 31, 2014.

# Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



CITY OF BUFFALO, TEXAS COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS SEPTEMBER 30, 2019

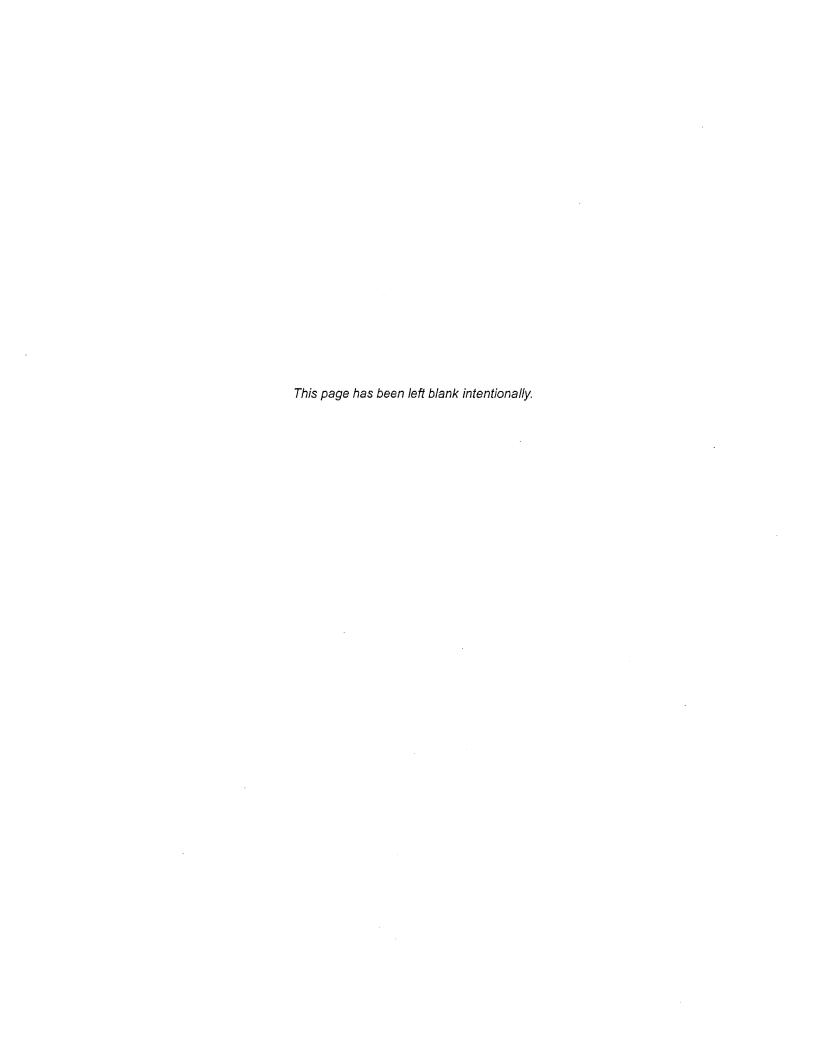
ASSETS AND OTHER DEBITS:	H	Special Revenue Fund otel/Motel supancy Tax Fund		Capital Projects Fund Capital brovements Fund	Go Fi	Total Nonmajor vernmental unds (See xhibit A-3)
Assets: Cash and Cash Equivalents Receivables (net of allowances for uncollectibles): Restricted Assets: Cash and Cash Equivalents Total Assets and Other Debits	\$ \$	52,296 123,851 176,147	\$ \$	36,106 - - 36,106	\$ \$	36,106 52,296 123,851 212,253
LIABILITIES, DEFERRED INFLOWS OF RESOURCES Liabilities:	AND	FUND BALAN	CES:			
Deferred Inflows of Resources:						
Fund Balances: Restricted Fund Balances: Restricted for Tourism Restricted for Capital Projects Total Fund Balance	\$	176,147 - 176,147	\$	36,106 36,106	\$ 	176,147 36,106 212,253
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$	176,147	\$	36,106	\$	212,253

**CITY OF BUFFALO, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019	Special Revenue Fund Hotel/Motel Occupancy Tax Fund		Capital Projects Fund Capital Improvements Fund		Total Nonmajor Governmental Funds (See Exhibit A-5)		
Revenue: Hotel/Motel Taxes	\$	234,031	\$	_	\$	234,031	
Interest Income	Ψ	974	Ψ	_	Ψ	974	
Rents and Royalties	2,550		_	- 2,55			
Miscellaneous		2,058		-		2,058	
Total Revenues		239,613 -		-		239,613	
Expenditures:							
General Government		-		126,001		126,001	
Culture and Recreation		99,471		-		99,471	
Principal		60,000		-		60,000	
Interest and Fiscal Charges		4,898		<u>-</u>		4,898	
Total Expenditures	164,369		126,001			290,370	
Excess (Deficiency) of Revenues							
Over (Under) Expenditures		75,244		(126,001)		(50,757)	
Other Financing Sources (Uses):							
Note Proceeds				124,111		124,111	
Total Other Financing Sources (Uses)		-		124,111		124,111	
Net Change in Fund Balances		75,244		(1,890)		73,354	
Fund Balances - Beginning		100,903		37,996		138,899	
Fund Balances - Ending	\$	176,147	\$	36,106	\$	212,253	

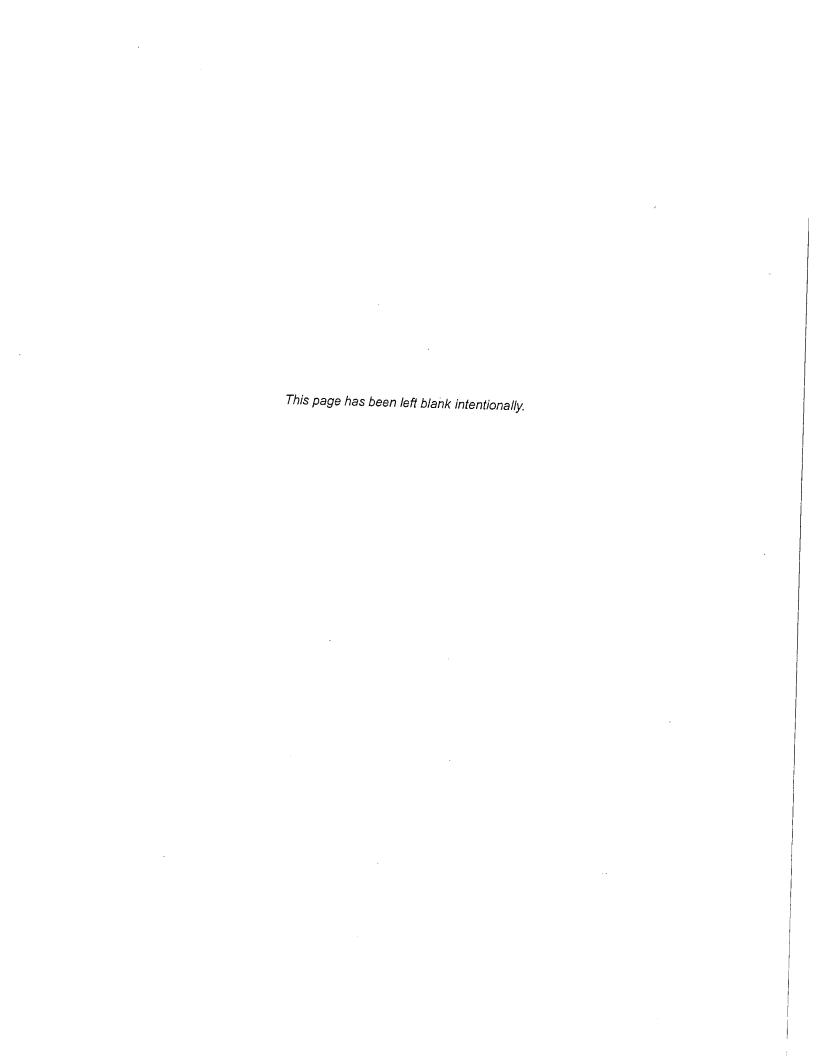
**CITY OF BUFFALO, TEXAS**DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Budget		Actual		Variance Positive Negative)
Revenue:						
Taxes:	ф	. 400.050	ው	200 005	ø	(10.100)
General Property Taxes	\$	400,058	\$	380,935	\$	(19,123)
Interest Income		2,873		3,017		144
Total Revenues		402,931		383,952		(18,979)
Expenditures:						
Principal		180,165		180,165		-
Interest and Fiscal Charges		10,276		10,276		-
Total Expenditures		190,441		190,441		-
Excess (Deficiency) of Revenues		· · ·				
Over (Under) Expenditures		212,490		193,511		(18,979)
Other Financing Sources (Uses):						
Transfers Out		(415,450)		(415,450)		-
Total Other Financing Sources (Uses)		(415,450)		(415,450)		
· · · · · · · · · · · · · · · · · · ·		(		(		
Net Change in Fund Balances		(202,960)		(221,939)		(18,979)
Fund Balances - Beginning		390,903		390,903		-
Fund Balances - Ending	\$	187,943	\$	168,964	\$	(18,979)
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# Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.





# DAVIS, HEINEMANN & COMPANY, P.C.

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PHONE (936) 291-3020
FAX (936) 291-9607

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

City Council City of Buffalo, Texas 812 N Buffalo Ave Buffalo, Texas 75831

Members of the City Council:

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, each major fund, and the aggregate remaining fund information of City of Buffalo, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Buffalo, Texas' basic financial statements, and have issued our report thereon dated March 20, 2020.

# **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Buffalo, 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 Buffalo, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Buffalo, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Buffalo, 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*.

# **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,

Davis, Heinemann & Company, P.C.

Davis, Heineman + Co.

Huntsville, Texas March 20, 2020

**CITY OF BUFFALO, TEXAS**SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Α.	<u>Summary</u>	of Auditor's	Results
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1.	Financial Statements			
	Type of auditor's report issued:	Unmodified		
	Internal control over financial reporting:			
	One or more material weaknesses identified?	Yes	X	No
	One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes	X	None Reported
	Noncompliance material to financial statements noted?	Yes	<u>X</u> _	No

B. Financial Statement Findings

NONE

CITY OF BUFFALO, TEXAS SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2019

El P /B		Management's Explanation
Finding/Recommendation	Current Status	If Not Implemented
None reported.		