

CITY OF PALMVIEW, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF PALMVIEW, TX
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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Management's Discussion and Analysis

As management of the City of Palmview, we offer to the City of Palmview's financial statement readers this narrative overview and analysis of the City's financial performance for the fiscal year ended September 30, 2019. Please read it in conjunction with the independent auditor's report on page 7, and City's Basic Financial Statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of City exceeded liabilities at the close of the most recent fiscal year by \$3,791,683 (net assets).
- The City's total net position as restated increased by \$387,192. Total revenues reflect an increase of 460,389 compared to prior year. Expenses increased by 1,007,258.
- At the end of the current fiscal year, unreserved fund balance for the general fund as restated was \$979,256 a decrease of \$283,339 compared with prior year restated balance.
- The City of Palmview total long-term debt increased by \$1,470,138 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Palmview's basic financial statements. The City of Palmview's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report contains other supplementary information in addition to the basic financial statement themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Palmview's finances, in a manner similar to a private-sector business.

The *statements of net position* presents information on all the City of Palmview's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City of Palmview is improving or deteriorating.

The *statements of activities* presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish function of the City of Palmview that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City of Palmview include general government, public safety, and culture and recreation. The City of Palmview does not have business-type activities.

The government-wide financial statement include not only the City of Palmview itself (known as the primary government), but also the legally separate component unit for which the City of Palmview is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objective. The City of Palmview, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palmview can be divided into one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Palmview maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the general fund, revolving fund and the debt service fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Notes to the financial statements. The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the City of Palmview adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 48-52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Palmview, assets exceeded liabilities by \$3,791,684 at the close of the most recent fiscal year.

<i>As of September 30,</i>	2019	2018
	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
Current other assets	\$5,043,427	\$5,251,410
Capital assets	9,599,965	7,998,997
Total assets	14,643,392	13,250,407
Long-term liabilities outstanding	6,984,686	6,041,245
Other liabilities	3,867,022	3,804,670
Total liabilities	10,851,708	9,845,915
Net investment in capital assets	2,312,270	1,047,250
Restricted net assets	0	480,320
Unrestricted net assets	1,479,414	1,876,922
Total net position	\$3,791,684	\$3,404,492

By far the largest portion of the City's net assets, \$2,312,270 reflect its investment in capital assets (e.g., land, building, furniture, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Palmview uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Palmview's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Analysis of Changes in Net Assets

The following table summarizes the changes in the City's net assets from its activities for the fiscal year ended September 30, 2019.

<i>During the year ended September 30,</i>	2019	2018
	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
Program revenues		
Charges for services	\$2,085,303	\$2,012,698
Operating grants and contributions	1,153,819	270,298
General revenues		
Property taxes	1,770,991	2,794,413
Sales taxes	1,660,652	1,434,408
Franchise taxes	402,573	327,741
Interest earned	87,373	94,904
Miscellaneous revenue	301,160	67,020
Total revenue	7,461,871	7,001,482
Expenses		
General government	2,678,762	2,379,010
Public safety	3,453,958	2,995,060
Highway and streets	673,794	550,691
Cultural and recreation	315,323	272,447
Debt service	170,479	87,850
Total expenses	7,292,316	6,285,058
Net position		
Increase (decrease) in net assets	169,555	716,424
Beginning net assets	3,404,492	2,431,657
Prior period adjustment	217,636	256,411
Ending net position	\$3,791,683	\$3,404,492

The revenues generated were \$7,461,871 reflecting an increase of \$460,389 to last year due to increase in tax rates and annexation in recent years. Expenses were \$7,292,316.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As noted earlier, the City of Palmview uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the end of the current fiscal year, the City of Palmview's governmental funds reported combined ending fund balances of \$1,678,511, a decrease of \$64,404 in comparison with the prior year restated balance.

The Debt Service fund has a total fund balance of \$(15,072).

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council amended the original budget at year-end. The major differences can be briefly summarized as follows:

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the City had \$9,599,965, net of depreciation, invested in a broad range of capital assets, including police and fire equipment, facilities, land, and vehicles. More detailed information about the City's capital assets is presented in the notes to the financial statements.

<i>As of September 30,</i>	2019	2018
Land	\$916,696	\$916,696
Construction in progress	2,632,667.00	798,464.00
Buildings	4,289,247	4,395,662
Furniture and equipment	1,541,587	1,668,788
Infrastructure	219,768	219,387
Total capital assets	\$9,599,965	\$7,998,997

Debt

At year-end, the City had outstanding long-term obligation of \$7,287,695, an increase of approximately \$1,470,138 over the prior year. The table below reflects the outstanding debt as of September 30th. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

<i>As of September 30,</i>	2019	2018
Bonds payable	\$4,090,000	\$3,359,694
Notes payable	2,214,556	1,334,381
Capital leases	882,191	643,719
Relending	100,948	479,763
Total long-term debt	\$7,287,695	\$5,817,557

ECONOMIC FACTOR AND NEXT YEAR'S BUDGETS AND RATES

- The property tax levy used in preparing the 2020 budget was up \$313,093 or 16% from the prior year.
- The 2020 Budget increase was prepared using an adopted property tax rate of \$.5001 per \$100 valuation. There was increase of 2.5 cents from the prior year property tax rate.
- The 2020 General Fund operating budget was prepared estimating a balance budget at September 30, 2020.
- Developers invested approximately \$10million in housing consisting of 132 lots and 120 apartment Units, within City of Palmview city limits.
- COVID-19 Pandemic: The City was allocated \$1,528,854 from the Cares Act Fund awarded to Hidalgo County, which is \$114 per resident for 13,411 residents. As of October 2020, we have Received 40% or \$611,542 of those Funds. The City has \$917,312 pending of the funds that will be used towards our General Fund Expenditures.

REQUEST FOR INFORMATION

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

City of Palmview
403 W. Veterans Blvd.
Palmview, Texas 78572
(956) 432-0300

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LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

Independent Auditor's Report

Honorable Mayor and
The City Council
City of Palmview, Texas

Report on the Financial Statements

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

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

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palmview, Texas as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedule, pension plan schedules, and related notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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's basic financial statements. The combining and individual nonmajor fund financial statements and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and component unit financial statements are the responsibility of management and were derived from and relates 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

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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 and individual nonmajor fund financial statements and component unit financial statements are 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 October 30, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Luis C. Orozco
Certified Public Accountant
Pharr, Texas
October 30, 2020

CITY OF PALMVIEW, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government	Component Unit Nonmajor Component Unit
	Governmental Activities	
ASSETS		
1010 Cash and Cash Equivalents	\$ 1,340,214	\$ 225,462
1050 Taxes Receivable, Net	471,653	-
1150 Accounts Receivable Net	1,787,947	200
1260 Due from Other Governments	762,641	-
1390 Due from Others	367,873	-
1410 Inventories	2,502	-
1611 Restricted Cash	59,011	-
Capital Assets:		
1710 Land Purchase and Improvements	916,696	588,087
1720 Infrastructure, Net	219,768	-
1730 Buildings, Net	4,289,247	937,942
1750 Furniture and Equipment, Net	1,541,587	-
1780 Construction in Progress	2,632,667	2,264,010
1000 Total Assets	<u>14,391,806</u>	<u>4,015,701</u>
DEFERRED OUTFLOWS OF RESOURCES		
1997 Deferred Outflow Related to Pension Plan	251,586	-
1500 Total Deferred Outflows of Resources	<u>251,586</u>	<u>-</u>
LIABILITIES		
2010 Accounts Payable	399,390	30,868
2020 Wages and Salaries Payable	129,287	-
2030 Compensated Absences Payable	307,210	-
2060 Retainage Payable	20,000	-
2140 Accrued Interest Payable	2,754	-
2230 Unearned Revenues	1,537,852	-
2240 Notes Payable - Current	71,572	71,780
2250 Bonds Payable - Current	435,000	155,000
2260 Capital Leases Payable - Current	208,777	-
Noncurrent Liabilities:		
2502 Bonds Payable - Noncurrent	6,572,346	1,955,000
2520 Loans Payable - Noncurrent	-	1,279,669
2580 Net Pension Liability	412,340	-
2000 Total Liabilities	<u>10,096,528</u>	<u>3,492,317</u>
DEFERRED INFLOWS OF RESOURCES		
2602 Deferred Inflow Related to Pension Plan	174,134	-
2604 Deferred Resource Inflow	581,046	-
2500 Total Deferred Inflows of Resources	<u>755,180</u>	<u>-</u>
NET POSITION		
3200 Net Investment in Capital Assets	2,312,270	328,590
3900 Unrestricted	1,479,414	194,794
3000 Total Net Position	<u>\$ 3,791,684</u>	<u>\$ 523,384</u>

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
100 General Government	\$ 188,220	\$ -	\$ -
110 Legislative	31,840	-	-
120 Judicial	222,715	160,724	-
130 Executive	57,116	-	-
140 Elections	57,640	-	-
150 Financial Administration	1,976,118	854,159	865,364
160 Inspections	87,975	144,945	-
190 Other General Government Functions	57,138	-	-
200 Public Safety	408,514	-	-
210 Police	1,972,903	325,137	-
220 Fire Protection	1,072,541	446,243	288,455
300 Public Works	29,617	14,009	-
310 Highways and Streets	644,177	-	-
500 Culture and Recreation	19,664	140,086	-
510 Recreation	295,659	-	-
720 Interest on Debt	170,479	-	-
TOTAL PRIMARY GOVERNMENT	\$ 7,292,316	\$ 2,085,303	\$ 1,153,819
Component Unit:			
991 PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT	\$ 537,784	\$ -	\$ -
TOTAL COMPONENT UNIT	\$ 537,784	\$ -	\$ -

Data	General Revenues:
Control	Taxes:
Codes	5010 Property Taxes, Levied for General Purposes
	5011 Property Taxes, Levied for Debt Service
	5120 General Sales and Use Taxes
	5170 Franchise Tax
	5190 Penalty and Interest on Taxes
	5600 Grants and Contributions
	5700 Miscellaneous Revenue
	5800 Investment Earnings
	Transfers In (Out):
	Total General Revenues and Transfers
	Change in Net Position
	Net Position-- Beginning
	Prior Period Adjustment
	Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position	
<u>Primary Government</u>	<u>Component Unit</u>
Governmental Activities	Nonmajor Component Unit
(188,220)	-
(31,840)	-
(61,991)	-
(57,116)	-
(57,640)	-
(256,595)	-
56,970	-
(57,138)	-
(408,514)	-
(1,647,766)	-
(337,843)	-
(15,608)	-
(644,177)	-
120,422	-
(295,659)	-
(170,479)	-
<u>(4,053,194)</u>	<u>-</u>
-	(537,784)
<u>-</u>	<u>(537,784)</u>
1,599,070	-
171,921	-
1,660,652	469,221
402,573	-
87,373	-
2,433	-
252,480	289,929
17,171	-
29,076	(29,076)
<u>4,222,749</u>	<u>730,074</u>
169,555	192,290
3,404,492	331,094
217,636	-
<u>\$ 3,791,683</u>	<u>\$ 523,384</u>

CITY OF PALMVIEW, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes	General Fund	Relending Program	Urban County
ASSETS			
1010 Cash and Cash Equivalents	\$ 1,249,984	\$ -	\$ -
1050 Taxes Receivable	413,456	-	-
1051 Allowance for Uncollectible Taxes (credit)	(16,568)	-	-
1150 Accounts Receivable Net	1,572,712	215,235	-
1260 Due from Other Governments	181,595	-	581,046
1300 Due from Other Funds	55,450	-	-
1390 Due from Others	-	367,873	-
1410 Inventories	2,502	-	-
1611 Restricted Cash	-	59,011	-
1000 Total Assets	<u>\$ 3,459,131</u>	<u>\$ 642,119</u>	<u>\$ 581,046</u>
LIABILITIES			
2010 Accounts Payable	\$ 399,378	\$ -	\$ -
2020 Wages and Salaries Payable	129,287	-	-
2060 Retainage Payable	20,000	-	-
2080 Due to Other Funds	20,000	-	-
2140 Accrued Interest Payable	-	2,754	-
2230 Unearned Revenues	1,537,852	-	-
2000 Total Liabilities	<u>2,106,517</u>	<u>2,754</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	373,358	-	-
2604 Deferred Revenue	-	-	581,046
2600 Total Deferred Inflows of Resources	<u>373,358</u>	<u>-</u>	<u>581,046</u>
FUND BALANCES			
3590 Other Assigned Fund Balance	-	639,365	-
3600 Unassigned Fund Balance	979,256	-	-
3000 Total Fund Balances	<u>979,256</u>	<u>639,365</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,459,131</u>	<u>\$ 642,119</u>	<u>\$ 581,046</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 90,230	\$ 1,340,214
77,880	491,336
(3,115)	(19,683)
-	1,787,947
-	762,641
-	55,450
-	367,873
-	2,502
-	59,011
<u>\$ 164,995</u>	<u>\$ 4,847,291</u>
\$ 12	\$ 399,390
-	129,287
-	20,000
35,450	55,450
-	2,754
-	1,537,852
<u>35,462</u>	<u>2,144,733</u>
69,642	443,000
-	581,046
<u>69,642</u>	<u>1,024,046</u>
59,890	699,255
-	979,256
<u>59,890</u>	<u>1,678,511</u>
<u>\$ 164,994</u>	<u>\$ 4,847,290</u>

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

Total Fund Balances - Governmental Funds	\$	1,678,511
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		1,047,250
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase (decrease) net position.		1,603,094
This is the second year of the implementation of GASB 68 for the TMRS Pension plan. This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$412,340 and a Deferred Resource Outflow of \$251,586. The net effect of these was to decrease the ending net position by \$334,888.		(334,888)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(645,284)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		443,000
Net Position of Governmental Activities	\$	3,791,683

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	General Fund	Relending Program	Urban County
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 1,813,378	\$ -	\$ -
5120 General Sales and Use Taxes	1,660,652	-	-
5170 Franchise Tax	402,573	-	-
5190 Penalty and Interest on Taxes	87,373	-	-
5200 Licenses and Permits	116,928	-	-
5300 Intergovernmental Revenue and Grants	276,342	-	871,673
5400 Charges for Services	866,134	-	-
5510 Fines	401,809	-	-
5610 Investment Earnings	42	16,747	-
5620 Rents and Royalties	144,000	-	-
5640 Contributions & Donations from Private Sources	2,433	-	-
5700 Other Revenue	784,540	701	-
5020 Total Revenues	6,556,204	17,448	871,673
EXPENDITURES:			
Current:			
General Government:			
0110 Legislative	31,840	-	-
0120 Judicial	224,778	-	-
0130 Executive	62,886	-	-
0140 Human Resources	58,628	-	-
0150 Financial Administration	1,992,125	-	-
0160 Inspections	88,606	-	-
0190 Other General Government Functions	55,856	1,045	-
Public Safety:			
0210 Police	2,008,082	-	-
0220 Fire Protection	1,091,020	-	-
Public Works:			
0310 Highways and Streets	645,009	-	-
Culture and Recreation:			
0510 Recreation	318,509	-	-
Debt Service:			
0710 Principal on Debt	482,587	25,792	-
0720 Interest on Debt	168,250	5,056	-
Capital Outlay:			
0800 Capital Outlay	1,374,579	-	871,673
6030 Total Expenditures	8,602,755	31,893	871,673
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,046,551)	(14,445)	-
OTHER FINANCING SOURCES (USES):			
7911 Issuance of Bonds	1,509,151	-	-
7915 Transfers In	29,076	-	-
7080 Total Other Financing Sources (Uses)	1,538,227	-	-
1200 Net Change in Fund Balances	(508,324)	(14,445)	-
0100 Fund Balance - October 1 (Beginning)	1,262,595	653,810	-
1300 Prior Period Adjustment	224,985	-	-
3000 Fund Balance - September 30 (Ending)	\$ 979,256	\$ 639,365	\$ -

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 474,401	\$ 2,287,779
-	1,660,652
-	402,573
-	87,373
-	116,928
5,804	1,153,819
-	866,134
-	401,809
382	17,171
-	144,000
-	2,433
<u>23,671</u>	<u>808,912</u>
<u>504,258</u>	<u>7,949,583</u>
-	31,840
-	224,778
-	62,886
-	58,628
-	1,992,125
-	88,606
-	56,901
-	2,008,082
-	1,091,020
-	645,009
-	318,509
116,311	624,690
130,975	304,281
-	<u>2,246,252</u>
<u>247,286</u>	<u>9,753,607</u>
<u>256,972</u>	<u>(1,804,024)</u>
-	1,509,151
-	<u>29,076</u>
-	<u>1,538,227</u>
256,972	(265,797)
(173,490)	1,742,915
(23,592)	201,393
<u>\$ 59,890</u>	<u>\$ 1,678,511</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	(265,797)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase (decrease) the change in net position.		1,603,094
The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the CHANGE in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted.		(5,670)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(645,284)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		(516,788)
Change in Net Position of Governmental Activities	\$	169,555

The notes to the financial statements are an integral part of this statement.

CITY OF PALMVIEW, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Palmview, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

New Accounting Standards Adopted

In fiscal year 2016, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 72, Fair Value Measurement and Application
- Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain provisions of GASB Statements 67 and 68
- Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government
- Statement No. 79, Certain External Investment Pools and Pool Participants

Statement No. 72 requires that investments be measured at fair value using a consistent definition and valuation techniques. It also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. There was no impact on the City's financial statements as a result of the implementation of Statement No. 72.

Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. There was no impact on the City's financial statements as a result of the implementation of Statement No. 73.

Statement No. 76 was issued to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. It also amends Statement No. 62, codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements, paragraph 64, 74, and 82. There was no impact on the City's financial statements as a result of the implementation of Statement No. 76.

Statement No. 79 establishes criteria for external investment pools to qualify for making the election to measure all of their investments at amortized cost for financial reporting purposes. If an external investment pool meets all of the criteria for reporting at amortized cost, pool participants also should measure their investments in that external pool at amortized cost. If an external pool does not meet all the criteria in this statement, pool participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement 31. There was no impact on the City's financial statements as a result of the implementation of Statement No. 79.

Reporting Entity

City of Palmview (the "City") was incorporated on April 15, 1972, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), culture-recreation, public improvements, planning and zoning, and general administrative services.

The City Council is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The accompanying financial statements include financial statements for related organizations in accordance with GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as amended. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City does not have any blended component units. The discretely presented component unit is reported on a separate column in the government-wide financial statements to emphasize its legal separateness from the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Discretely Presented Component Unit

The Palmview Municipal Development District (MDD) was organized on behalf of the City of Palmview for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. The MDD is governed by seven (7) directors, residents of the District and are appointed by the City Council. The primary source of revenue is sales tax restricted by State statute that allows for this type of tax and by the City general election that adopted this sales tax. Exercise of all powers to affect the purposes of the corporation is subject, at all times, to the control of the Palmview Board of Directors of the MDD; and is also subject to oversight by the Palmview City Council. The MDD was incorporated during the fiscal year ending September 30, 2014. The fund level financial statements of the component unit are included in the *Other Supplementary Information* section of this report.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The City did not have proprietary or fiduciary funds at year-end.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported only in the governmental activities column of the government-wide financial statements. Compensated absences vested or accumulated are only reported in the governmental funds only if they have matured, in accordance with the provisions of Governmental Accounting Standards.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue of the current fiscal period and charges for services. Sales taxes collected and held by the intermediary collecting governments at year-end on behalf of the City also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Relending Economic Development* fund accounts for the accumulation of resources, in the form of collections on long term note receivables from the relending program participants, for the payment of principal, and interest on long-term debt of the fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Deposits and Investments

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

The City can legally invest in adequately secured investments in accordance with the Public Funds Investment Act.

Receivables and Payables

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other funds" represents the non-current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accrued liabilities include amounts accrued for salaries.

All trade receivables are shown net of an allowance for uncollectible, as applicable.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st for all real and business personal property in the City. Assessed values are an approximation of market values.

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end.

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Inventories and Prepaid Items

Inventories of governmental funds, consisting of fuel and office supplies, are valued at cost on the first-in, first-out basis. Inventories are recorded under the consumption method. Under this method, the expenditure is initially recorded as an asset and subsequently expensed upon usage.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The City's policy through the years has been to capitalize and report the carrying cost of capital assets in governmental activities. However, the City needs to inventory much of its major general capital assets so that it may account for and depreciate them. In the current year depreciation expense is composed of prior year's estimated amount plus the depreciation of current year additions. The City's intention is to inventory these capital assets. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Leases that meet the criteria of a capital lease are capitalized. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of general capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide Statement of Net Assets.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Fixed Asset Class	Estimated Useful Lives (years)
Buildings and improvements	10 - 50
Furniture and equipment	5 - 7

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City accrues a liability for sick leave using the vesting method. Vacation leave is accrued as a liability as the benefits are earned by employees when both the employees' rights are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and liabilities of the governmental fund that will pay it in the fund financial statements. Amounts of vested or accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are only reported in the government-wide financial statements in the governmental activities column. A compensated absence is liquidated in the fund where the employee's salary was paid at termination, with all compensated absences liquidated in the general fund that are associated with employees' salaries paid from governmental funds.

Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental-type activities. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenses in the period incurred, with the exception of portions related to bond insurance, which are classified as prepaid expenses and amortized over the term of the policy.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items that qualify for reporting in this category; property taxes, and grant revenue. Deferred outflows of resources related to pensions are also reported in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources; property taxes, and grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pensions are also reported in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

Fund Balance Reporting

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Pensions

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

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The City of Palmview, Texas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

and GAAP basis in the General Fund are that total property taxes collected are recognized as revenues (budget) as opposed to recognizing the current year levy as revenues (GAAP).

The Board of Alderman adopts an "appropriated budget" for the General Fund. In accordance with Government Accounting Standards Board (GASB) Statement 34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears as a Budgetary Comparison Schedule in the required supplementary information section.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board, and are not made after fiscal year end. No budget amendments were approved during the year.
4. Budgets are amended by the Board as needed. All budget appropriations lapse at year end.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations

General Fund expenditures exceeded appropriations in various functional categories. To address improper budgeting in the future, Management will be including grant revenues in excess of originally budgeted amounts and the related use of such funds in budget amendments before the end of the fiscal period.

Expenditures in Excess of Budget

Expenditures exceeded appropriations in the following line items:

Budget to Actual	Excess
0140 Human Resources	607
0150 Financial Administration	93,587
0160 Inspection	303
0190 Other General Government Functions	5,807
0210 Police	11,004
0220 Fire Protection	19,823
0310 Highway and Streets	83,697
0510 Recreation	5,674
0710 Principal on Debt	317,427
0720 Interest on Debt	7,099
0800 Capital Outlay	1,254,136
Total	1,799,164

NOTE 3 – DEPOSITS AND INVESTMENTS

Primary Government

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2019, the carrying amount of the City's deposits (cash) was \$1,399,225 and the bank balance was \$1,403,796 all of which is unrestricted. The City maintains cash balances deposited with several financial institutions. The Federal Deposit Insurance Corporation (FDIC) provides insurance on interest and non-interest bearing accounts up to \$250,000. As of September 30, 2019, the City's funds that were held in both interest and non-interest bearing accounts above FDIC coverage limits totaled \$920,925 which were not collateralized.

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

Statutes authorize the City to invest in (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) banker's acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. State statutes require the City to adopt an investment policy, which the City has not done, however throughout the year and as of September 30, 2019 the City did not have any funds invested as listed above.

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits and Public Funds Investment Pools, collateralized by U.S. Government Securities. As of September 30, 2019, the City did not hold any funds in investments needing to be collateralized by U.S. Government Securities.

Custodial Credit Risk for Investments

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of September 30, 2019, the City did not hold any funds in investments needing to be pledged.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions. As of September 30, 2019, the City did not hold any funds in investments needing to be collateralized by U.S. Government Securities.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments; the City requires that the investments shall be monitored by using specific identification. As of September 30, 2019, the City did not hold any funds in investment securities.

Municipal Development District

The funds of the Municipal Development District (MDD) must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law.

At September 30, 2019, the carrying amount of the MDD's deposits (cash) was \$225,462 and the bank balance was \$225,462, all of which is unrestricted. The Federal Deposit Insurance Corporation (FDIC) provides insurance on interest and non-interest bearing accounts up to \$250,000. As of September 30, 2019, the MDD's funds that were held in both interest and non-interest bearing accounts.

NOTE 4 - 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 located in the City 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Delinquent taxes are prorated between general and debt service funds based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 4 - PROPERTY TAXES (Continued)

Property taxes are billed and collected by the Hidalgo County Tax Office for the City by contract agreement. Tax collections are transferred directly into the City’s bank account.

The City is a Home-Rule Charter City with a maximum authorized tax rate for all purposes of \$2.50 per \$100 valuation. For the year ended September 30, 2019, property tax rates were \$.3938 and \$.1063 for the general fund and the debt service fund respectively, per \$100 of assessed value.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables result from the debt service fund paying debt service in other debt owed by the General Fund. The remaining balance as of September 30, 2019, is as follows:

Debt Service Due To	
General Fund	35,450
General Fund Due To	
General Fund	<u>20,000</u>
Total Due To	<u><u>55,450</u></u>
General Fund Due From	
Debt Service Fund	35,450
General Fund	<u>20,000</u>
Total Due From	<u><u>35,450</u></u>

NOTE 6 - RECEIVABLES

Receivables at September 30, 2019 were as follows:

Governmental Activities:	Receivable								
	Property Taxes	Fines Receivables	Other Governments	Ambulance/EMS Fees Receivable	Relending Program	Due From Component Unit	Due From Other Funds	Other	Total Receivables
General Fund	413,456	3,137,228	181,595	369,607	-	-	55,450	1,793	4,159,129
Special Revenue Funds	-	-	-	-	230,416	266,925	100,948	-	598,289
Debt Service Fund	77,880	-	-	-	-	-	-	-	77,880
Total Receivables	491,336	3,137,228	181,595	369,607	230,416	266,925	156,398	1,793	4,835,299
Less: Allowance for Uncollectible	(19,683)	(1,595,878)	-	(340,039)	(15,181)	-	-	-	(1,970,780)
Net Total Receivable	471,653	1,541,351	181,595	29,569	215,235	266,925	156,398	1,793	2,864,518

NOTE 7 – NOTE RECEIVABLES

Notes receivable are due from several individuals for the economic development of the City. These notes bear interest of 4% and are paid on the 15th of every month, with maturities ranging from 2020 to 2025; the notes are collected by a separate agency. Management has established an allowance for doubtful accounts based upon historical collection amounts. Due to the long-term nature of these receivables, the net amount is offset by a Nonspendable amount in fund balance to reflect that these assets are not readily available.

<u>Governmental Activities:</u>	<u>Receivable</u>		
	Notes Receivable	Allowance for Uncollectibles	Net Receivables
Relending	230,416	(15,181)	215,235
Total Receivables	230,416	(15,181)	215,235

The annual requirements by participants of the Relending Fund Accounts Receivable at September 30, 2019 are as follows:

<i>During the year ended September 30,</i>	
2020	35,602
2021	37,223
2022	38,919
2023	40,693
2024	43,760
All years thereafter	34,218
<u>Total</u>	<u>\$230,416</u>

NOTE 8 - DISAGGREGATION OF OTHER LIABILITIES

At September 30, 2019, the City had the following other liabilities:

<u>Payable to</u>	<u>Governmental Activities</u>
Customer Deposits	20,000
Total other Liabilities	<u>20,000</u>

NOTE 9 - CAPITAL ASSETS

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

	Primary Government				
<i>For the Years Ended September 30,</i>	2018	Additions	Retirements	Adjustments	2019
Capital assets not being depreciated:					
Land	916,696	-	-	-	916,696
Construction in progress	798,464	962,530	-	-	1,760,994
Total capital assets not being depreciated	1,715,160	962,530	-	-	2,677,690
Capital assets being depreciated:					
Buildings	5,936,984	18,470	-	-	5,955,454
Furniture and equipment	3,975,797	364,503	-	-	4,340,300
Infrastructure	539,705	29,076	-	-	568,781
Total capital assets being depreciated	10,452,486	412,049	-	-	10,864,535
Less: accumulated depreciation for:					
Buildings	(1,541,322)	(124,885)	-	-	(1,666,207)
Furniture and equipment	(2,307,009)	(491,704)	-	-	(2,798,713)
Infrastructure	(320,318)	(28,695)	-	-	(349,013)
Total accumulated depreciation	(4,168,649)	(645,284)	-	-	(4,813,933)
Total capital assets, being depreciated, net	6,283,837	(233,235)	-	-	6,050,602
Governmental activities capital assets, net	7,998,997	729,295	-	-	8,728,292

Depreciation expense was charged to governmental functions as follows:

General government	\$188,220
Public safety	408,514
Highway & Streets	28,967
Culture & Recreation	19,583
Total depreciation expense	\$645,284

NOTE 10 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

	General Fund	Debt Service Fund
Delinquent property taxes, unavailable	\$373,358	\$69,642
Total deferred revenue	\$373,358	\$69,642

NOTE 11 - LONG-TERM DEBT

A.) Primary Government

Bonds Payable

Limited Tax Refunding Bonds, Series 2019 payable to Branch Banking and Trust Company, originating on August 15, 2019, with interest rate of 3.35% with maturity date of August 1, 2028

1,570,000

2018 Property Tax Revenue Bond payable to BBVA Compass Bank, originating on March 6, 2018, with interest of 3.3% with a maturity date of February 1, 2028 or entire amount, including accrued interest.

2,520,000

Bonds payable debt service requirements to maturity are as follows:

<i>During the year ended September 30,</i>	Principal	Interest	Total
2020	435,000	134,466	569,466
2021	435,000	121,995	556,995
2022	445,000	107,478	552,478
2023	445,000	92,627	537,627
2024	455,000	77,775	532,775
All years thereafter	1,875,000	157,560	2,032,560
Total	4,090,000	691,900	4,781,900

NOTE 11 – LONG-TERM DEBT

Notes Payable

Note Payable to Lone Star National Bank. Advance withdrawal on August 1, 2014 which is part of a note dated February 1, 2014. Interest only payment due on January 21, 2015 followed by 14 annual principal and interest payments in the amount of \$64,757 beginning on January 21, 2016 thru January 21, 2029 and one final payment due at maturity. \$ 534,793

BB&T Tax Note Series 2019 payable to Branch Banking and Trust Company, originating on August 15, 2019, with interest rate of 3.35% with maturity date of August 1, 2029. 1,200,000

Communication Relending Program 100,948

Total notes payable 1,835,741

Less: Current portion of notes payable 45,524

Total notes payable, net of current portion \$ 1,789,724

Note payable debt service requirements to maturity are as follows:

<i>During the year ended September 30,</i>	Principal	Interest	Total
2020	45,524	68,289	113,812
2021	57,570	67,769	125,339
2022	184,724	65,254	249,978
2023	191,992	58,460	250,452
2024	194,380	51,378	245,758
All years thereafter	1,161,551	146,140	1,307,692
Total	1,835,741	457,290	2,293,030

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded as the present value of future minimum lease payments as of the date of the inception.

The City accounts for amortization expense related to the capital leases as depreciation expense.

The City also currently has purchase options for some of the equipment they are currently leasing.

The following summarize the City’s debt relating to these assets:

14.02% Lease payable due in monthly installments of \$779 including interest collateralized by Fire Truck (ID: #54746) \$ 6,140

NOTE 11 – LONG-TERM DEBT

Capital Leases (Continued)

3.99% Lease payable due in annual installments of \$36,705 including interest collateralized by Master Equipment Lease Purchase Agreement	133,256
% Lease Payable due in annual installments of \$14,385 including interest collateralized by Bunker Gear	26,825
6.84% Lease payable due in annual installments of \$14,927 including interest, collateralized by 2015 Chevrolet Tahoe (ID: #1028678728)	24,360
6.19% Lease payable due in 48 monthly installments of \$1,640 including interest, collateralized by two 2015 Chevrolet Caprices (ID: #1027399873) and (ID: #1027399907)	8,199
5.34% Lease payable due in 72 monthly installments of \$441 including interest, collateralized by a 2015 Chevrolet Silverado (ID: #3GCPCRECOFG324339)	14,854
3.76% Lease payable due in 15 yearly installments, one of \$65,000, four of \$80,653 and ten of \$58,696 including interest, collateralized by a 2014 Toyne Spartan Aerial Fire Truck with equipment.	541,251
3.28% Lease Payable due in monthly installments of \$1,875.11 including interest, collateralized by (4) 2017 Chevrolet Silverado's.	51,464
2.93% Lease payable due in monthly installments of \$2,455.74 including interest, collateralized by (4) Public Works Equipment, a backhoe, trimmer, mower, and tractor.	35,335
5.89% Lease payable due in 3 annual installments of \$13,796.42 including interest, collateralized by (4) 2016 Chevrolet Malibu's (ID: 71372) (ID: 83550) (ID: 73544) (ID: 85550)	14,565
6.14% Lease payable due in 36 monthly installments of 1,775.83 including interest, collateralized by (2) Dodge Chargers (ID: 27534) (ID: 27535)	<u>9,045</u>
Total capital lease obligation	865,294
Less: Current portion of capital lease obligation	<u>208,777</u>
Total capital lease obligation, net of current portion	<u>\$ 656,518</u>

NOTE 11 – LONG-TERM DEBT

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 are as follows:

<i>During the year ended September 30,</i>	Principal	Interest	Total
2020	208,777	32,950	241,727
2021	132,823	24,904	157,727
2022	89,503	19,677	109,181
2023	79,137	16,518	95,655
2024	45,242	13,454	58,696
All years thereafter	309,812	42,364	352,176
Total	865,294	149,867	1,015,162

The assets that have been acquired through capital leases net of accumulated depreciation as of September 30, 2019 are as follows:

For the year ended September 30, 2019

	Governmental activities
Furniture & Equipment	619,060
Less: accumulated depreciation	<u>(445,273)</u>
Total capital leases, net of accumulated depreciation	173,787

Relending Program Long-Term Debt

Loan payable to United States Department of Agriculture, Rural Business Cooperative Service, for \$750,000, at 1%, with interest payments due on May 2007, and May 2008, thereafter requiring twenty-eight (28) equal amortized annual installments of \$30,848 representing principal and interest.

Loan Payable to USDA Balance	479,763
Less: Current portion of notes payable	<u>26,049</u>
Total notes payable, net of current portion	<u><u>\$ 453,714</u></u>

NOTE 11 – LONG-TERM DEBT

The annual requirements to retire the Relending notes payable including interest are as follows:

<i>During the year ended September 30,</i>	Principal	Interest	Total
2020	26,049	4,799	30,848
2021	26,309	4,539	30,848
2022	26,572	4,276	30,848
2023	26,838	4,010	30,848
2024	27,106	3,742	30,848
All years thereafter	346,889	22,962	369,851
Total	479,763	44,328	524,091

B.) Component Unit

2015 Sales Tax Revenue Bond payable to Frost bank, originating on October 6, 2015, with interest at 3.87% with a maturity date of August 15, 2025 for entire amount including accrued interest. Balance at September 30, 2019 \$325,000.

2017 Sales Tax Revenue Bond payable to Frost Bank, originating on May 10, 2017, with interest at 3.79% with a maturity date of August 15, 2032 for the entire amount including accrued interest. Balance at September 30, 2019 \$1,785,000.

Bonds payable debt service requirement to maturity are as follows:

<i>During the year ended September 30,</i>	Principal	Interest	Total
2020	155,000	83,892	238,892
2021	165,000	78,025	243,025
2022	165,000	72,112	237,112
2023	175,000	66,006	241,006
2024	185,000	55,526	240,526
All years thereafter	1,265,000	222,051	1,487,051
Total	2,110,000	577,611	2,687,611

NOTE 11 – LONG-TERM DEBT

Palmview Municipal Development District Relending Note originating on November 1, 2018, with interest at 1% with a maturity date of November 1, 2028 for the entire amount including accrued interest.

Balance at September 30, 2019 \$266,925.

Project XG originating on October 1, 2018 with interest at 8% with a maturity date of October 1, 2033 for the entire amount including accrued interest.

Balance at September 30, 2019 \$1,084,524.

<i>During the year ended September 30,</i>	Principal	Interest	Total
2020	71,780	87,719	159,499
2021	75,699	83,800	159,499
2022	79,923	79,576	159,499
2023	84,477	75,023	159,499
2024	89,388	70,112	159,499
All years thereafter	950,183	337,960	1,288,142
Total	1,351,449	734,190	2,085,639

Changes in Long-Term Liabilities

<i>For the year ended September 30, 2019</i>	2018	Increase	Decrease	2019	Current Maturities
Bonds payable	\$3,606,525	1,570,000	(1,086,525)	4,090,000	435,000
Notes payable	1,577,489	1,306,000	(1,047,748)	1,835,741	45,524
Capital leases	847,467	203,484	(185,653)	865,298	208,777
Relending program	505,555	-	(25,792)	479,763	26,049
Compensated absences	414,711	-	(107,501)	307,210	
Net pension liability	223,688	188,652	-	412,340	
Component Unit Bonds Payable	2,255,000	1,415,000	(213,189)	3,456,811	226,780
Total long-term debt	\$9,430,435	4,683,136	(2,666,408)	\$11,447,163	942,130

NOTE 12 - OPERATING LEASES

The City rents three Saving Copiers/Fax/Scanner/Printers Systems under a monthly operating lease. The lease is a 48-month lease with monthly payments of \$695. The City also rents equipment on an as-needed basis throughout the year. Lease and rent payments totaled \$185,653.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Plan Description

The City of Palmview participates as 1 of the 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (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.

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.

Plan provisions for the City were as follows:

Employee deposit rate	5%
Matching ratio (City to employee)	1 to 1
Years required for vesting	5
Service retirement eligibility	60/5, 0/20
Updated service credit	0%
Increased benefits to retirees	0% of CPI

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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	4
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>67</u>
	108

Contributions

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

Employees for the City of Palmview were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.3% and 2.2% in the calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$55,993 and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Based on the size of the City, rates are multiplied by a 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 male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for the future mortality improvements subject to the 3% floor.

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 December 31, 2010 through December 31, 2014. Healthy post-retirement 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. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2016, the TMRS Board approved a new portfolio target allocation.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure Total Pension Liability was 6.75%. The projection of cash flow 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)- (b)
Net Pension Liability Beginning	\$1,612,940	\$1,389,252	\$223,688
Changes for the year:			
Service cost	157,478		157,478
Interest	110,968		110,968
Change of benefit terms	-		-
Difference between expected and actual experience	60,838		60,838
Changes of assumptions	-		-
Contributions-employer		55,993	(55,993)
Contributions-employee		127,204	(127,204)
Net investment income		(41,719)	41,719
Benefit payments, including refunds of employee contributions	(95,424)	(95,424)	-
Administrative expense		(804)	804
Other changes		(42)	42
Net Changes	233,860	45,208	188,652
Net Pension Liability Ending	1,846,800	1,434,460	412,340

NOTE 13 - DEFINED BENEFIT PENSION PLANS***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$818,577	\$412,340	\$98,627

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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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 \$64,988.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	206,269	127,583
Changes in actuarial assumptions		-
Differences between projected and actual investment earnings		46,551
Contributions Subsequent to Measurement Period	45,317	-
Total	251,586	174,134

\$45,317 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:

	Net Deferred Outflows (Inflows) of Resources
2019	14,926
2020	3,786
2021	3,821
2022	19,673
2023	(9,283)
Thereafter	(788)
Total	32,135

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple–employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees.

The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post-employment benefit”, or OPEB.

The City offers supplemental death benefits to:	Plan Year	Plan Year
	2016	2017
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2019, 2018, and 2017 were \$2,544, \$1,728, and \$1,674, respectively, which equaled the required contributions each year.

NOTE 15 - RISK MANAGEMENT

Primary Government

The City maintains insurance for all business and government functions for which it may be liable for claims. The more significant of these include general liability insurance in an aggregate amount of \$2,000,000 law enforcement liability in an aggregate amount of \$1,000,000 and errors and omissions liability in an aggregate amount of \$1,000,000. Employees were covered by a health insurance plan. There have been no significant reductions in insurance coverage.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Litigation

The City is the defendant in several lawsuits. It is the opinion of management and the outside attorney that the outcome of the lawsuit will not be significant to the City.

Federally Assisted Grant Programs

The City participates in several Federal and State assisted grant programs. Although the City grant programs were not subject to the provisions of the Single Audit Act, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

The following table illustrates the effects of the prior period adjustments on the statement of net position and governmental fund balance at September 30, 2019.

Prior Period Adjustments - Governmental Activities	General Fund	Debt Service Fund	Relending Economic Development	Asset & Forfeiture	Municipal Development District	Total
Adjustments on Property Taxes and Accounts Payable Balances	224,985	(23,592)	-	-	-	201,393

Prior period Adjustments - Government Wide	Primary Government	Municipal Development District	Total
Adjustment on Pension Plan Deferrals	16,243	-	16,243

NOTE 18 - SUBSEQUENT EVENT

Management has evaluated subsequent events through October 30, 2020 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PALMVIEW, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 1,838,919	\$ 1,765,977	\$ 1,813,378	\$ 47,401
5120	General Sales and Use Taxes	1,709,122	1,660,652	1,660,652	-
5170	Franchise Tax	312,000	411,424	402,573	(8,851)
5190	Penalty and Interest on Taxes	233,416	83,216	87,373	4,157
5200	Licenses and Permits	72,300	116,928	116,928	-
5300	Intergovernmental Revenue and Grants	237,000	245,172	276,342	31,170
5400	Charges for Services	784,775	795,519	866,134	70,615
5510	Fines	600,000	397,307	401,809	4,502
5610	Investment Earnings	60	40	42	2
5620	Rents and Royalties	144,000	144,000	144,000	-
5640	Contributions & Donations from Private Sources	4,200	2,700	2,433	(267)
5700	Other Revenue	774,150	731,602	784,540	52,938
5020	Total Revenues	6,709,942	6,354,537	6,556,204	201,667
EXPENDITURES:					
Current:					
0110	Legislative	49,600	32,377	31,840	537
0120	Judicial	245,475	297,292	224,778	72,514
0130	Executive	98,020	90,700	62,886	27,814
0140	Human Resources	65,540	58,021	58,628	(607)
0150	Financial Administration	1,680,516	1,898,538	1,992,125	(93,587)
0160	Inspections	87,577	88,303	88,606	(303)
0190	Other General Government Functions	49,200	50,049	55,856	(5,807)
0210	Police	2,158,909	1,997,078	2,008,082	(11,004)
0220	Fire Protection	875,398	1,071,197	1,091,020	(19,823)
0310	Highways and Streets	661,445	561,312	645,009	(83,697)
0510	Recreation	283,815	312,835	318,509	(5,674)
Debt Service:					
0710	Principal on Debt	520,369	165,160	482,587	(317,427)
0720	Interest on Debt	105,269	161,151	168,250	(7,099)
Capital Outlay:					
0800	Capital Outlay	215,000	120,443	1,374,579	(1,254,136)
6030	Total Expenditures	7,096,133	6,904,456	8,602,755	(1,698,299)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(386,191)	(549,919)	(2,046,551)	(1,496,632)
OTHER FINANCING SOURCES (USES):					
7911	Issuance of Bonds	-	-	1,509,151	1,509,151
7915	Transfers In	-	-	29,076	29,076
7080	Total Other Financing Sources (Uses)	-	-	1,538,227	1,538,227
1200	Net Change in Fund Balances	(386,191)	(549,919)	(508,324)	41,595
0100	Fund Balance - October 1 (Beginning)	1,262,595	1,262,595	1,262,595	-
1300	Prior Period Adjustment	-	-	224,985	224,985
3000	Fund Balance - September 30 (Ending)	\$ 876,404	\$ 712,676	\$ 979,256	\$ 266,580

The notes to the financial statements are an integral part of this statement.

CITY OF PALMVIEW, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 157,478	\$ 145,082
Interest (on the Total Pension Liability)	110,968	106,821
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	60,838	(138,876)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(95,424)	(20,154)
Net Change in Total Pension Liability	\$ 233,860	\$ 92,873
Total Pension Liability - Beginning	1,612,940	1,520,067
Total Pension Liability - Ending	\$ 1,846,800	\$ 1,612,940
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 55,993	\$ 54,391
Contributions - Employee	127,204	119,508
Net Investment Income	(41,719)	150,746
Benefit Payments, Including Refunds of Employee Contributions	(95,424)	(20,154)
Administrative Expense	(804)	(780)
Other	(42)	(40)
Net Change in Plan Fiduciary Net Position	\$ 45,208	\$ 303,671
Plan Fiduciary Net Position - Beginning	1,389,252	1,085,581
Plan Fiduciary Net Position - Ending	\$ 1,434,460	\$ 1,389,252
C. Net Pension Liability	\$ 412,340	\$ 223,688
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.67%	86.13%
E. Covered Payroll	\$ 2,544,077	\$ 2,390,153
F. Net Pension Liability as a Percentage of Covered Payroll	16.21%	9.36%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only five years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	131,327	\$ 106,919	\$ 93,057
	93,372	83,195	73,473
	-	-	-
	(5,771)	(36,723)	(5,840)
	-	65,694	-
	(32,982)	(40,011)	(17,470)
\$	185,946	\$ 179,074	\$ 143,220
	1,334,121	1,155,047	1,011,827
\$	1,520,067	\$ 1,334,121	\$ 1,155,047
\$	43,741	\$ 38,266	\$ 25,717
	108,714	93,789	80,904
	61,302	1,200	39,229
	(32,982)	(40,011)	(17,470)
	(691)	(731)	(409)
	(37)	(37)	(34)
\$	180,047	\$ 92,476	\$ 127,937
	905,534	813,058	685,121
\$	1,085,581	\$ 905,534	\$ 813,058
\$	434,486	\$ 428,587	\$ 341,989
	71.42%	67.87%	70.39%
\$	2,174,287	\$ 1,875,771	\$ 1,618,090
	19.98%	22.85%	21.14%

CITY OF PALMVIEW, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2019

	2019	2018	2017
Actuarially Determined Contribution	\$ 55,993	\$ 54,391	\$ 43,741
Contributions in Relation to the Actuarially Determined Contributions	55,993	54,391	43,741
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,544,077	\$ 2,390,153	\$ 2,174,287
Contributions as a Percentage of Covered Payroll	2.20%	2.27%	2.01%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<hr/>	
2016	2015
<hr/>	
\$ 41,455	\$ 33,664
41,455	33,664
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 1,875,771	\$ 1,618,090
2.21%	2.08%

City of Palmview, Texas
Notes to Required Supplementary Information

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with budget basis (Non-GAAP). An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

As required by state law, the Mayor submits to the City Council the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budget and any revisions of such budget that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the City Council. The original annual appropriated budgets are adopted by resolution by the City Council prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budget is used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such fund.

The City Manager is authorized to transfer budgeted amounts between line items within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the City Council.

General Fund expenditures exceeded appropriations in various functional categories. To address improper budgeting in the future, Management will be including grant revenues in excess of originally budgeted amounts and the related use of such funds in budget amendments before the end of the fiscal period.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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

Data Control Codes	202 Asset Forfeiture Fund	500 Debt Service Fund	Total Nonmajor Governmental Funds	
ASSETS				
1010	Cash and Cash Equivalents	\$ 74,974	\$ 15,256	\$ 90,230
1050	Taxes Receivable	-	77,880	77,880
1051	Allowance for Uncollectible Taxes (credit)	-	(3,115)	(3,115)
1000	Total Assets	<u>\$ 74,974</u>	<u>\$ 90,021</u>	<u>\$ 164,995</u>
LIABILITIES				
2010	Accounts Payable	\$ 12	\$ -	\$ 12
2080	Due to Other Funds	-	35,450	35,450
2000	Total Liabilities	<u>12</u>	<u>35,450</u>	<u>35,462</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	69,642	69,642
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>69,642</u>	<u>69,642</u>
FUND BALANCES				
3590	Other Assigned Fund Balance	74,962	(15,072)	59,890
3000	Total Fund Balances	<u>74,962</u>	<u>(15,072)</u>	<u>59,890</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 74,974</u>	<u>\$ 90,020</u>	<u>\$ 164,994</u>

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	202 Asset Forfeiture Fund	500 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
5110 Property Taxes	\$ -	\$ 474,401	\$ 474,401
5300 Intergovernmental Revenue and Grants	5,804	-	5,804
5610 Investment Earnings	-	382	382
5700 Other Revenue	<u>6,123</u>	<u>17,548</u>	<u>23,671</u>
5020 Total Revenues	<u>11,927</u>	<u>492,331</u>	<u>504,258</u>
EXPENDITURES:			
Debt Service:			
0710 Principal on Debt	-	116,311	116,311
0720 Interest on Debt	<u>-</u>	<u>130,975</u>	<u>130,975</u>
6030 Total Expenditures	<u>-</u>	<u>247,286</u>	<u>247,286</u>
1200 Net Change in Fund Balance	11,927	245,045	256,972
0100 Fund Balance - October 1 (Beginning)	63,035	(236,525)	(173,490)
1300 Prior Period Adjustment	<u>-</u>	<u>(23,592)</u>	<u>(23,592)</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 74,962</u>	<u>\$ (15,072)</u>	<u>\$ 59,890</u>

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT FUND
FINANCIAL STATEMENTS

PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes	General Fund
ASSETS	
1010 Cash and Cash Equivalents	\$ 225,462
1150 Accounts Receivable, Net	200
1000 Total Assets	<u>\$ 225,662</u>
LIABILITIES	
2010 Accounts Payable	\$ 30,868
2000 Total Liabilities	<u>30,868</u>
FUND BALANCE	
3600 Unassigned Fund Balance	194,794
3000 Total Fund Balance	<u>194,794</u>
4000 Total Liabilities and Fund Balance	<u>\$ 225,662</u>

The notes to the financial statements are an integral part of this statement.

PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$	194,794
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		(38,219)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase (decrease) net position.		366,809
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		-0-
Net Position of Governmental Activities	<u>\$</u>	<u>523,384</u>

The notes to the financial statements are an integral part of this statement.

PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT C-3

Data Control Codes	General Fund
REVENUES:	
5120 General Sales and Use Taxes	\$ 469,221
5020 Total Revenues	<u>469,221</u>
EXPENDITURES:	
0600 Municipal Development District	537,784
Debt Service:	
0710 Principal on Debt	208,551
Capital Outlay:	
0800 Capital Outlay	<u>1,573,258</u>
6030 Total Expenditures	<u>2,319,593</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,850,372)</u>
OTHER FINANCING SOURCES (USES):	
7911 Issuance of Bonds	1,415,000
7949 Other Resources	289,929
8911 Transfers Out	<u>(29,076)</u>
7080 Total Other Financing Sources (Uses)	<u>1,675,853</u>
1200 Net Change in Fund Balance	(174,519)
0100 Fund Balance - October 1 (Beginning)	<u>369,313</u>
3000 Fund Balance - September 30 (Ending)	<u><u>\$ 194,794</u></u>

The notes to the financial statements are an integral part of this statement.

PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	(174,519)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase (decrease) the change in net position.		366,809
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		-0-
Change in Net Position of Governmental Activities	<u>\$</u>	<u>192,290</u>

The notes to the financial statements are an integral part of this statement.

FEDERAL SECTION

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

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*

Independent Auditor's Report

Honorable Mayor and
City Council of
City of Palmview, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Palmview, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Palmview, Texas's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Palmview, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government* as listed in the statement of findings and questions costs.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

**808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com**

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.

Pharr, Texas
October 30, 2020

CITY OF PALMVIEW, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

I. Summary of the Auditor's Results:

- a The type of report issued on the financial statements of *CITY OF PALMVIEW, TEXAS*:
Unmodified opinion.
- b Significant deficiencies in internal control disclosed by the audit of the financial statements:
Yes
- c Significant deficiencies identified as material weakness:
None
- d Noncompliance material to the Financial Statements:
None

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

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

(Prepared by the City's Management)

2018-1 Inconsistent Accounting Records and Practices

2018-01 Status: *The City has hired an external CPA Firm to assist with the City's accounting records and practices.*

2018-2 Year-End Financial Reporting

2018-02 Status: *The City has hired an external CPA Firm to assist with the City's year end financial reporting.*