

THE CITY OF PALMVIEW, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED SEPTEMBER 30, 2020

CITY OF PALMVIEW, TX  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

| <u>Exhibit</u>  | <u>Page</u> |
|---|-------------|
| <br><b><u>Introductory Section</u></b>  |             |
| Management's Discussion and Analysis  | 1           |
| <br><b><u>Report</u></b>  |             |
| Independent Auditors' Report  | 7           |
| <br><b><u>Basic Financial Statements</u></b>  |             |
| Government Wide Statements:   |             |
| A-1 Statement of Net Position   | 11          |
| B-1 Statement of Activities   | 13          |
| Governmental Fund Financial Statements:   |             |
| C-1 Balance Sheet – Governmental Funds  | 14          |
| C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position   | 15          |
| C-3 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds   | 16          |
| C-4 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities   | 17          |
| Notes to Financial Statements   | 18          |
| <br><b><u>Required Supplementary Information</u></b>  |             |
| Budgetary Comparison Schedule – General Fund  | 49          |
| Schedule of Employer Contributions Texas Municipal Retirement System  | 50          |
| Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System   | 52          |
| <br><b><u>Other Supplementary Information</u></b>   |             |
| Nonmajor Governmental Funds- Combining Balance Sheet  | 55          |
| Nonmajor Governmental Funds- Combining Statement of Revenues, Expenditures and changes in Fund Balance  | 56          |
| Palmview Municipal Development District – Balance Sheet   | 58          |
| Palmview Municipal Development District (Component Unit) reconciliation of the Fund Balance Sheet to the Statement of Net Position  | 59          |
| Palmview Municipal Development District – Statement of Revenues, Expenditures and Changes in Fund Balances  | 60          |
| Palmview Municipal Development District (Component Unit) reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities   | 61          |
| <br><b><u>Federal Section</u></b>   |             |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i> | 63          |
| Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance  | 65          |
| Schedule of Findings and Questioned Costs – Summary of Auditors' Results  | 67          |
| Schedule of Expenditures of Federal Awards  | 71          |
| Notes to Schedule of Expenditures of Federal Awards   | 72          |

## 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, 2020. 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 \$7,137,693 (net assets).
- The City's total net position as restated increased by \$2,904,151. Total revenues reflect an increase of 3,121,711 compared to prior year. Expenses increased by 1,295,683.
- At the end of the current fiscal year, unreserved fund balance for the general fund as restated was \$1,162,382 a increase of \$183,136 compared with prior year restated balance.
- The City of Palmview total long-term debt decreased by \$496,800 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, recycling 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 \$7,137,693 at the close of the most recent fiscal year.

| <i>As of September 30,</i>        | 2020                                     | 2019                                     |
|-----------------------------------|--|--|
|                                   | <u>Governmental</u><br><u>Activities</u> | <u>Governmental</u><br><u>Activities</u> |
| Current other assets              | \$6,162,421                              | \$5,043,427                              |
| Capital assets                    | 9,361,844                                | 9,599,965                                |
| Total assets                      | 15,524,265                               | 14,643,392                               |
| Long-term liabilities outstanding | 7,212,359                                | 6,984,686                                |
| Other liabilities                 | 1,174,213                                | 3,867,022                                |
| Total liabilities                 | 8,386,572                                | 10,851,708                               |
| Net investment in capital assets  | 2,117,236                                | 2,312,270                                |
| Unrestricted net assets           | 4,578,588                                | 1,479,414                                |
| Total net position                | \$6,695,824                              | \$3,791,684                              |

By far the largest portion of the City's net assets, \$2,117,236 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, 2020.

| <i>During the year ended September 30,</i> | 2020                | 2019                |
|--|---------------------|---------------------|
|  | <u>Governmental</u> | <u>Governmental</u> |
|  | <u>Activities</u>   | <u>Activities</u>   |
| Program revenues                           |                     |                     |
| Charges for services                       | \$2,845,527         | \$2,085,303         |
| Operating grants and contributions         | 2,227,060           | 1,153,819           |
| General revenues                           |                     |                     |
| Property taxes                             | 2,832,047           | 1,770,991           |
| Sales taxes                                | 1,828,997           | 1,660,652           |
| Franchise taxes                            | 544,508             | 402,573             |
| Interest earned                            | 518                 | 87,373              |
| Miscellaneous revenue                      | 304,925             | 301,160             |
| <b>Total revenue</b>                       | <b>10,583,582</b>   | <b>7,461,871</b>    |
| Expenses                                   |                     |                     |
| General government                         | 4,630,468           | 2,678,762           |
| Public safety                              | 2,631,558           | 3,453,958           |
| Highway and streets                        | 717,636             | 673,794             |
| Cultural and recreation                    | 240,182             | 315,323             |
| Debt service                               | 368,155             | 170,479             |
| <b>Total expenses</b>                      | <b>8,587,999</b>    | <b>7,292,316</b>    |
| Net position                               |                     |                     |
| Increase (decrease) in net assets          | 1,995,583           | 169,555             |
| Beginning net assets                       | 3,791,673           | 3,404,492           |
| Prior period adjustment                    | 908,568             | 217,636             |
| <b>Ending net position</b>                 | <b>\$6,695,824</b>  | <b>\$3,791,683</b>  |

The revenues generated were \$10,583,582 reflecting an increase of \$3,121,711 to last year due to increase in tax rates and governmental grants provided. Expenses were \$8,587,999.

## 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, 2020, the City had \$9,361,844, 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> | 2020        | 2019        |
|----------------------------|-------------|-------------|
| Land                       | \$916,696   | \$916,696   |
| Construction in progress   | 2,918,659   | 2,632,667   |
| Buildings                  | 4,161,793   | 4,289,247   |
| Furniture and equipment    | 1,162,462   | 1,541,587   |
| Infrastructure             | 202,234     | 219,768     |
| Total capital assets       | \$9,361,844 | \$9,599,965 |

## Debt

At year-end, the City had outstanding long-term obligation of \$7,244,608, a decrease of approximately \$43,087 over the prior year. The table below reflects the outstanding debt as of September 30<sup>th</sup>. 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> | 2020        | 2019        |
|----------------------------|-------------|-------------|
| Bonds payable              | \$4,288,000 | \$4,090,000 |
| Notes payable              | 1,985,000   | 2,214,556   |
| Capital leases             | 517,895     | 882,191     |
| Relending                  | 453,713.00  | 100,948     |
| Total long-term debt       | \$7,244,608 | \$7,287,695 |

## ECONOMIC FACTOR AND NEXT YEAR'S BUDGETS AND RATES

- The property tax levy used in preparing the 2021 budget was up \$95,968 or 3.51% from the prior year.
- The 2021 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 2021 General Fund operating budget was prepared estimating a balance budget at September 30, 2021.
- 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



# 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, 2020, 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

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

### *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, 2020, 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, component unit financial statements, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) 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, component unit financial statements, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting

# LUIS C OROZCO

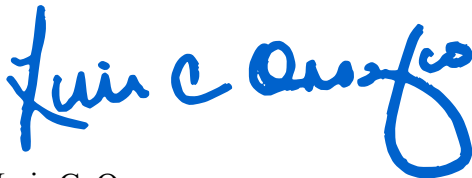
## CERTIFIED PUBLIC ACCOUNTANT

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

and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, component unit financial statements, and schedule of expenditures of federal awards 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 July 15, 2022 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  
July 15, 2022

## BASIC FINANCIAL STATEMENTS

**CITY OF PALMVIEW, TEXAS**

Statement of Net Position

September 30, 2020

|   | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> | <b>Component Unit<br/><br/>PMDD</b> |
|---|---|-------------------------------------|
| <b>ASSETS</b>                               |   |                                     |
| <i>Current Assets</i>                       |   |                                     |
| Cash and Cash Equivalents                   | \$ 1,385,189  | \$ 1,893,750                        |
| Restricted Cash                             | 234,832   | -                                   |
| Accounts Receivable (Net of Allowance)      |   |                                     |
| Property Taxes                              | 560,962   | -                                   |
| Court                                       | 1,948,031   | -                                   |
| Customers                                   | 166,728   | -                                   |
| Other                                       | 1,337,794   | -                                   |
| Due from Other Governments                  | 223,883   | -                                   |
| Due from Others                             | 241,320   | -                                   |
| Inventories                                 | 64,784  | -                                   |
| Internal Balances                           | -   | -                                   |
| <b>Total Current Assets</b>                 | <b>6,163,523</b>  | <b>1,893,750</b>                    |
| <i>Non-Current Assets</i>                   |   |                                     |
| Other Non Current Assets                    | -   | 3,790,039                           |
| Land  | 916,696   | -                                   |
| Construction In Progress                    | 2,918,658   | -                                   |
| Building and Improvements (Net)             | 4,163,744   | -                                   |
| Furniture and Equipment (Net)               | 1,162,462   | -                                   |
| Infrastructure (Net)                        | 202,234   | -                                   |
| <b>Total Non-Current Assets</b>             | <b>9,363,794</b>  | <b>3,790,039</b>                    |
| <b>Total Assets</b>                         | <b>15,527,317</b>   | <b>5,683,789</b>                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |   |                                     |
| Related from Pension GASB 68                | 200,331   | -                                   |
| <b>Total Deferred Outflows of Resources</b> | <b>200,331</b>  | <b>-</b>                            |

The notes to these statements are an integral part of these statements.

|  | <b>Primary Government Component Unit</b> |                   |
|--|--|-------------------|
|  | <b>Governmental<br/>Activities</b>       | <b>PMDD</b>       |
| <b>LIABILITIES</b>                         |  |                   |
| <i>Current Liabilities</i>                 |  |                   |
| Accounts Payable                           | \$ 390,310                               | \$ 3,334          |
| Wages and Salaries Payable and Liabilities | 164,725                                  | -                 |
| Retainage Payable                          | 20,000                                   | -                 |
| Unearned Revenues                          | -  | -                 |
| Accrued Interest                           | 2,996                                    | -                 |
| Matured Debt Payable Within One Year       | 596,182                                  | 250,365           |
| Internal Balances                          | -  | -                 |
| <b>Total Current Liabilities</b>           | <b>1,174,213</b>                         | <b>253,699</b>    |
| <i>Non-Current Liabilities</i>             |  |                   |
| Bonds Payable More than One Year           | 3,848,000                                | 3,620,000         |
| Loans Payable More than One Year           | 2,352,402                                | 1,210,432         |
| Leases Payable More than One Year          | 448,024                                  | -                 |
| Compensated Absences                       | 332,957                                  | -                 |
| Net Pension Liability                      | 230,976                                  | -                 |
| <b>Total Non-Current Liabilities</b>       | <b>7,212,359</b>                         | <b>4,830,432</b>  |
| <b>Total Liabilities</b>                   | <b>8,386,572</b>                         | <b>5,084,131</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |  |                   |
| Deferred Revenue Urban County              | 351,998                                  | -                 |
| Related to Pension GASB 68                 | 291,304                                  | -                 |
| <b>Total Deferred Inflows of Resources</b> | <b>643,302</b>                           | <b>-</b>          |
| <b>NET POSITION</b>                        |  |                   |
| Net Invested in Capital Assets             | 2,119,186                                | -                 |
| <i>Unrestricted</i>                        | 4,578,588                                | 599,658           |
| <b>Total Net Position</b>                  | <b>\$ 6,697,774</b>                      | <b>\$ 599,658</b> |

**CITY OF PALMVIEW, TEXAS**  
Statement of Activities  
For the Year Ended September 30, 2020

| Functions/Programs                             | Expenses            | Program Revenues    |                     |                     | Net (Expense) Revenue and Changes in Net |                       |
|--|---------------------|---------------------|---------------------|---------------------|--|-----------------------|
|  |                     | Charges for         | Operating           | Capital Grants      | Primary Government                       | Component Unit        |
|  |                     | Services            | Grants and          | and                 | Governmental                             | PMDD                  |
|  |                     |                     | Contributions       | Contributions       | Activities                               |                       |
| <b>Primary Government</b>                      |                     |                     |                     |                     |  |                       |
| <b>Governmental Activities:</b>                |                     |                     |                     |                     |  |                       |
| General Government                             | \$ 4,632,449        | \$ 888,776          | \$ 1,388,477        | \$ -                | \$ ( 2,355,196 )                         | \$ -                  |
| Public Safety                                  | 2,631,558           | 1,576,335           | 271,215             | -                   | ( 784,008 )                              | -                     |
| Highways and Streets                           | 717,636             | 130,701             | -                   | -                   | ( 586,935 )                              | -                     |
| Health and Welfare                             | -                   | 19,645              | -                   | -                   | 19,645                                   | -                     |
| Culture and Recreation                         | 240,182             | 230,070             | 20,600              | -                   | 10,488                                   | -                     |
| Capital Outlay                                 | -                   | -                   | -                   | 546,768             | 546,768                                  | -                     |
| Debt Principal                                 | -                   | -                   | -                   | -                   | -  | -                     |
| Bond Issuance Cost                             | 133,791             | -                   | -                   | -                   | ( 133,791 )                              | -                     |
| Debt Interest                                  | 234,364             | -                   | -                   | -                   | ( 234,364 )                              | -                     |
| <b>Total Governmental Activities</b>           | <b>8,589,980</b>    | <b>2,845,527</b>    | <b>1,680,292</b>    | <b>546,768</b>      | <b>( 3,517,393 )</b>                     | <b>-</b>              |
| <b>Component Unit</b>                          |                     |                     |                     |                     |  |                       |
| Palmview Municipal Development Dis             | 481,674             | -                   | -                   | -                   | -  | ( 481,674 )           |
| <b>Total Component Unit Activities</b>         | <b>481,674</b>      | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>                                 | <b>( 481,674 )</b>    |
| <b>Total Primary Government</b>                | <b>\$ 9,071,654</b> | <b>\$ 2,845,527</b> | <b>\$ 1,680,292</b> | <b>\$ 546,768</b>   | <b>\$ ( 3,517,393 )</b>                  | <b>\$ ( 481,674 )</b> |
| <b>General Purpose Revenues and Transfers:</b> |                     |                     |                     |                     |  |                       |
| <b>Revenues</b>                                |                     |                     |                     |                     |  |                       |
| Property Taxes                                 |                     |                     |                     | \$ 2,832,047        | \$ -                                     |                       |
| Sales Taxes                                    |                     |                     |                     | 1,828,997           | 527,948                                  |                       |
| Franchise Taxes                                |                     |                     |                     | 544,508             | -  |                       |
| Other Taxes                                    |                     |                     |                     | 8,248               | -  |                       |
| Other  |                     |                     |                     | 296,677             | 6,000                                    |                       |
| Interest Revenue                               |                     |                     |                     | 518                 | -  |                       |
| <b>Total General Revenues and Transfers</b>    |                     |                     |                     | <b>5,510,995</b>    | <b>533,948</b>                           |                       |
| <b>Change in Net Position</b>                  |                     |                     |                     | <b>1,993,602</b>    | <b>52,274</b>                            |                       |
| Net Position at Beginning of Period            |                     |                     |                     | 3,791,673           | 523,384                                  |                       |
| Prior Period Adjustments                       |                     |                     |                     | 912,499             | 24,000                                   |                       |
| <b>Net Position at End of Period</b>           |                     |                     |                     | <b>\$ 6,697,774</b> | <b>\$ 599,658</b>                        |                       |

**CITY OF PALMVIEW, TEXAS**

Balance Sheet

Governmental Funds

September 30, 2020

|  | General                    | Relending<br>Program     | Urban County<br>Program  | CARES ACT                  | Non-Major<br>Government<br>al Funds | Total<br>Governmental<br>Funds |
|--|----------------------------|--------------------------|--------------------------|----------------------------|-------------------------------------|--------------------------------|
| <b>ASSETS</b>  |                            |                          |                          |                            |                                     |                                |
| Cash and Cash Equivalents  | \$ 737,670                 | \$ -                     | \$ -                     | 266,035                    | \$ 381,484                          | \$ 1,385,189                   |
| Accounts Receivable  |                            |                          |                          |                            |                                     |                                |
| Property Taxes   | 455,990                    | -                        | -                        | -                          | 104,972                             | 560,962                        |
| Court  | 1,948,031                  | -                        | -                        | -                          | -                                   | 1,948,031                      |
| Customers  | 166,728                    | -                        | -                        | -                          | -                                   | 166,728                        |
| Other  | 12,002                     | 197,359                  | 351,999                  | 776,435                    | -                                   | 1,337,795                      |
| Restricted Cash  | -                          | 188,185                  | -                        | -                          | 46,647                              | 234,832                        |
| Due from Other Governments   | 223,883                    | -                        | -                        | -                          | -                                   | 223,883                        |
| Due from Others  | -                          | 241,320                  | -                        | -                          | -                                   | 241,320                        |
| Inventories  | -                          | -                        | -                        | -                          | 64,784                              | 64,784                         |
| Due From Other Funds   | 1,105,741                  | -                        | -                        | -                          | 15,000                              | 1,120,741                      |
| <i>Total Assets</i>  | <u>4,650,045</u>           | <u>626,864</u>           | <u>351,999</u>           | <u>1,042,470</u>           | <u>612,887</u>                      | <u>7,284,265</u>               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                            |                          |                          |                            |                                     |                                |
| Aggregated Deferred Outflows   | -                          | -                        | -                        | -                          | -                                   | -                              |
| <i>Total Deferred Outflows of Resources</i>                              | <u>-</u>                   | <u>-</u>                 | <u>-</u>                 | <u>-</u>                   | <u>-</u>                            | <u>-</u>                       |
| <b>Total Assets and Deferred Outflows of Resources</b>                   | <u><b>\$ 4,650,045</b></u> | <u><b>\$ 626,864</b></u> | <u><b>\$ 351,999</b></u> | <u><b>\$ 1,042,470</b></u> | <u><b>\$ 612,887</b></u>            | <u><b>\$ 7,284,265</b></u>     |
| <b>LIABILITIES</b>   |                            |                          |                          |                            |                                     |                                |
| Accounts Payable   | \$ 390,004                 | \$ -                     | \$ -                     | -                          | 306                                 | \$ 390,310                     |
| Wages and Salaries Payable and Liabilities                               | 164,725                    | -                        | -                        | -                          | -                                   | 164,725                        |
| Retainage Payable  | 20,000                     | -                        | -                        | -                          | -                                   | 20,000                         |
| Accrued Interest Payable   | -                          | 2,996                    | -                        | -                          | -                                   | 2,996                          |
| Unearned Revenues  | 1,948,031                  | -                        | -                        | -                          | -                                   | 1,948,031                      |
| Due To Other Funds   | 15,000                     | -                        | -                        | 1,042,470                  | 63,271                              | 1,120,741                      |
| <i>Total Liabilities</i>   | <u>2,537,760</u>           | <u>2,996</u>             | <u>-</u>                 | <u>1,042,470</u>           | <u>63,577</u>                       | <u>3,646,803</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                            |                          |                          |                            |                                     |                                |
| Deferred Property Taxes  | 428,820                    | -                        | -                        | -                          | 97,311                              | 526,131                        |
| Deferred Revenue   | -                          | -                        | 351,999                  | -                          | -                                   | 351,999                        |
| <i>Total Deferred Inflows of Resources</i>                               | <u>428,820</u>             | <u>-</u>                 | <u>351,999</u>           | <u>-</u>                   | <u>97,311</u>                       | <u>878,130</u>                 |
| <b>FUND BALANCE</b>  |                            |                          |                          |                            |                                     |                                |
| Assigned   | -                          | -                        | -                        | -                          | -                                   | -                              |
| Unassigned   | 1,683,465                  | 623,868                  | -                        | -                          | 451,999                             | 2,759,332                      |
| <i>Total Fund Balance</i>  | <u>1,683,465</u>           | <u>623,868</u>           | <u>-</u>                 | <u>-</u>                   | <u>451,999</u>                      | <u>2,759,332</u>               |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <u><b>\$ 4,650,045</b></u> | <u><b>\$ 626,864</b></u> | <u><b>\$ 351,999</b></u> | <u><b>\$ 1,042,470</b></u> | <u><b>\$ 612,887</b></u>            | <u><b>\$ 7,284,265</b></u>     |

The notes to these statements are an integral part of these statements.



**CITY OF PALMVIEW, TEXAS**

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2020**

|  |                     |
|--|---------------------|
| Total Fund Balance - Governmental Funds  | \$ 2,759,332        |
| Fixed assets are capitalized in the Statement of Net Assets and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.  | 9,363,794           |
| Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.           | ( 7,244,608 )       |
| Because some court fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position. | 526,131             |
| Revenue deferred in governmental fund statements if not received within sixty days.  | -                   |
| Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Assets.  | ( 332,957 )         |
| Because some fines fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental fund and are consider deferred in governmental funds.  | 1,948,031           |
| Long term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. GASB 68 is recorded in the Statement of Net Position.   | ( 321,949 )         |
| Rounding   | -                   |
| Total Net Position of Governmental Activities - Statement of Net Position  | <u>\$ 6,697,774</u> |

The notes to these statements are an integral part of these statements.

**CITY OF PALMVIEW, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended September 30, 2020

|  | <b>General Fund</b> | <b>Relending<br/>Program</b> | <b>Urban County</b> | <b>CARES ACT</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|------------------------------|---------------------|------------------|---|---|
| <b>Revenues</b>                                |                     |                              |                     |                  |   |   |
| Property Taxes                                 | \$ 2,074,556        | \$ -                         | \$ -                | \$ -             | \$ 674,360                                  | \$ 2,748,916                            |
| Sales Taxes                                    | 1,828,997           | -                            | -                   | -                | -   | 1,828,997                               |
| Franchise Taxes                                | 544,508             | -                            | -                   | -                | -   | 544,508                                 |
| Other Taxes                                    | 8,248               | -                            | -                   | -                | -   | 8,248                                   |
| Charges for Services                           | 2,330,259           | -                            | -                   | -                | -   | 2,330,259                               |
| Rent   | 144,000             | -                            | -                   | -                | -   | 144,000                                 |
| Other Revenues                                 | 22,682              | 6,751                        | -                   | -                | 276,397                                     | 305,830                                 |
| State Grants                                   | 161,732             | -                            | -                   | -                | -   | 161,732                                 |
| Federal Grants                                 | -                   | -                            | 546,768             | -                | 73,331                                      | 620,099                                 |
| Care Act-(COVID-19)-<br>Grant                  | -                   | -                            | -                   | 1,387,977        | -   | 1,387,977                               |
| Interest Revenue                               | 35                  | 9,188                        | -                   | -                | 483   | 9,706                                   |
| <b>Total Revenues</b>                          | <b>7,115,017</b>    | <b>15,939</b>                | <b>546,768</b>      | <b>1,387,977</b> | <b>1,024,571</b>                            | <b>10,090,272</b>                       |
| <b>Expenditures</b>                            |                     |                              |                     |                  |   |   |
| General Government                             | 3,315,268           | 5,386                        | -                   | 1,387,977        | -   | 4,708,631                               |
| Public Safety                                  | 2,252,162           | -                            | -                   | -                | 44,463                                      | 2,296,625                               |
| Highways and Streets                           | 694,818             | -                            | -                   | -                | -   | 694,818                                 |
| Culture and Recreation                         | 224,024             | -                            | -                   | -                | -   | 224,024                                 |
| Capital Outlay                                 | -                   | -                            | 546,768             | -                | 610,897                                     | 1,157,665                               |
| Bond Issuance Cost                             | 133,791             | -                            | -                   | -                | -   | 133,791                                 |
| Debt Principal                                 | 745,896             | 26,050                       | -                   | -                | 435,000                                     | 1,206,946                               |
| Debt Interest                                  | 35,078              | -                            | -                   | -                | 199,286                                     | 234,364                                 |
| <b>Total Expenditures</b>                      | <b>7,401,037</b>    | <b>31,436</b>                | <b>546,768</b>      | <b>1,387,977</b> | <b>1,289,646</b>                            | <b>10,656,864</b>                       |
| <b>Excess of Revenues<br/>Over (Under)</b>     |                     |                              |                     |                  |   |   |
| <b>Expenditures</b>                            | <b>( 286,020 )</b>  | <b>( 15,497 )</b>            | <b>-</b>            | <b>-</b>         | <b>( 265,075 )</b>                          | <b>( 566,592 )</b>                      |
| <b>Other Financing<br/>Sources (Uses)</b>      |                     |                              |                     |                  |   |   |
| Transfer In (Out)                              | ( 610,897 )         | -                            | -                   | -                | 610,897                                     | -                                       |
| Proceeds for Issuance<br>of Bonds              | 1,418,000           | -                            | -                   | -                | -   | 1,418,000                               |
| <b>Net Other Financing<br/>Sources (Uses)</b>  | <b>807,103</b>      | <b>-</b>                     | <b>-</b>            | <b>-</b>         | <b>610,897</b>                              | <b>1,418,000</b>                        |
| <b>Net Change in Fund<br/>Balance</b>          | <b>521,083</b>      | <b>(15,497)</b>              | <b>-</b>            | <b>-</b>         | <b>345,822</b>                              | <b>851,408</b>                          |
| <i>Fund Balance at<br/>Beginning of Period</i> | 979,246             | 639,365                      | -                   | -                | 59,890                                      | 1,678,501                               |
| <i>Prior Period Adjustments</i>                | 183,136             | -                            | -                   | -                | 46,287                                      | 229,423                                 |
| <b>Fund Balance at End<br/>of Period</b>       | <b>\$ 1,683,465</b> | <b>\$ 623,868</b>            | <b>\$ -</b>         | <b>\$ -</b>      | <b>451,999</b>                              | <b>\$ 2,759,332</b>                     |

The notes to these statements are an integral part of these statements.

**CITY OF PALMVIEW, TEXAS**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended September 30, 2020**

|   |                     |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds  | \$ 851,408          |
| Principal and Interest Payments   | 1,444,190           |
| Governmental funds do not report capital assets, and accordingly do not record depreciation expense. Capital assets are recorded on the Statement on Net Position and accordingly depreciation is charged to its allocable function.  | ( 522,131 )         |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 1,157,665           |
| Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Assets.   | ( 25,747 )          |
| Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements.  | ( 1,418,000 )       |
| GASB 68 recognition on Pension Expense requires an adjustment to reflect in Statement of Activities   | 12,907              |
| Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred, but recognized as revenues in the Statement of Activities  | 83,131              |
| Because some fines fees will not be collected for several months after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds.  | 410,179             |
| Changes in Net Position-Governmental Funds  | <u>\$ 1,993,602</u> |

The notes to these statements are an integral part of these statements.

CITY OF PALMVIEW, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020

**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 2020, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 92, Omnibus 2020
- a. ***Statement No. 92*** The objective of this statement are to enhance comparability in accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, governmental acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements and derivative instruments. Improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

The adoption of Statement No. 92 has no impact on the City's financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

### *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:

| <b>Fixed Asset Class</b>   | <b>Estimated Useful<br/>Lives (years)</b> |
|----------------------------|---|
| 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.

| <b>Budget to Actual</b> | <b>Excess</b>  |
|-------------------------|----------------|
| General Government      | 46,590         |
| Principal on Debt       | 299,185        |
| <b>Total</b>            | <b>345,775</b> |

## 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, 2020, the carrying amount of the City's deposits (cash) was \$1,620,021 and the bank balance was \$1,526,166 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, 2020, the City's funds that were held in both interest and non-interest-bearing accounts above FDIC coverage limits totaled \$1,276,166 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, 2020 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, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020, the carrying amount of the MDD's deposits (cash) was \$1,893,750 and the bank balance was \$1,893,750, 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, 2020, 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, 2020, 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 resulted from the debt service fund paying debt service in other debt owed by the General Fund and the General Fund paying expenditures for the CARES Act fund. The remaining balance as of September 30, 2020, is as follows:

|                       |    |                         |
|-----------------------|----|-------------------------|
| CARES Act Due To      |    |                         |
| General Fund          | \$ | 1,042,470               |
| General Fund Due To   |    |                         |
| Debt Service          |    | <u>17,998</u>           |
| Total Due To          |    | <u><u>1,060,468</u></u> |
| General Fund Due From |    |                         |
| CARES Act             |    | 1,042,470               |
| Debt Service Due From |    |                         |
| General Fund          |    | <u>17,998</u>           |
| Total Due From        | \$ | <u><u>1,060,468</u></u> |

#### NOTE 6 - RECEIVABLES

Receivables at September 30, 2020 were as follows:

| Governmental Activities:          | Receivable     |                   |                   |                               |                         |                      |         |                   |
|-----------------------------------|----------------|-------------------|-------------------|-------------------------------|-------------------------|----------------------|---------|-------------------|
|                                   | Property Taxes | Fines Receivables | Other Governments | Ambulance/EMS Fees Receivable | Due From Component Unit | Due From Other Funds | Other   | Total Receivables |
| General Fund                      | 474,990        | 3,975,573         | -                 | 590,355                       | -                       | 1,042,470            | 12,002  | 6,095,390         |
| Urban County Program              | -              | -                 | 351,999           | -                             | -                       | -                    | -       | 351,999           |
| CARES Act                         | -              | -                 | 776,435           | -                             | -                       | -                    | -       | 776,435           |
| Relending Program                 | -              | -                 | -                 | -                             | 241,320                 | -                    | 206,040 | 447,360           |
| Debt Service Fund                 | 109,346        | -                 | -                 | -                             | -                       | 17,998               | -       | 127,344           |
| Total Receivables                 | 584,336        | 3,975,573         | 1,128,434         | 590,355                       | 241,320                 | 1,060,468            | 218,042 | 7,798,528         |
| Less: Allowance for Uncollectible | (23,374)       | (2,027,542)       | -                 | (423,627)                     | -                       | -                    | (8,681) | (2,483,224)       |
| Net Total Receivable              | 560,962        | 1,948,031         | 1,128,434         | 166,728                       | 241,320                 | 1,060,468            | 209,361 | 5,315,304         |



## 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 15<sup>th</sup> 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<br>Uncollectibles | Net Receivables |
| Relending                       | \$ 206,040        | \$ (8,681)                      | \$ 197,359      |
| Total Receivables               | \$ 206,040        | \$ (8,681)                      | \$ 197,359      |

The annual requirements by participants of the Relending Fund Accounts Receivable at September 30, 2020 are as follows:

| <i>During the year ended September 30,</i> |            |
|--|------------|
| 2021                                       | \$ 37,223  |
| 2022                                       | 38,919     |
| 2023                                       | 40,693     |
| 2024                                       | 43,760     |
| 2025                                       | 34,218     |
| All years thereafter                       | 2,546      |
| Total                                      | \$ 197,359 |

## NOTE 8 - DISAGGREGATION OF OTHER LIABILITIES

At September 30, 2020, the City had the following other liabilities:

| <u>Payable to</u>       | <u>Governmental<br/>Activities</u> |
|-------------------------|------------------------------------|
| Customer Deposits       | \$ 20,000                          |
| Total other Liabilities | \$ 20,000                          |

## NOTE 9 - CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2020 was as follows:

|   | <b>Primary Government</b> |            |             |             |              |
|---|---------------------------|------------|-------------|-------------|--------------|
| <i><b>For the Years Ended September 30,</b></i> | 2019                      | Additions  | Retirements | Adjustments | 2020         |
| Capital assets not being depreciated:           |                           |            |             |             |              |
| Land  | \$ 916,696                | \$ -       | \$ -        | \$ -        | \$ 916,696   |
| Construction in progress                        | 1,760,994                 | 1,157,665  | -           | -           | 2,918,659    |
| Total capital assets not being depreciated      | 2,677,690                 | 1,157,665  | -           | -           | 3,835,355    |
| Capital assets being depreciated:               |                           |            |             |             |              |
| Buildings                                       | 5,917,869                 | -          | -           | -           | 5,917,869    |
| Furniture and equipment                         | 4,340,300                 | -          | -           | -           | 4,340,300    |
| Infrastructure                                  | 568,781                   | -          | -           | -           | 568,781      |
| Total capital assets being depreciated          | 10,826,950                | -          | -           | -           | 10,826,950   |
| Less: accumulated depreciation for:             |                           |            |             |             |              |
| Buildings                                       | (1,632,553)               | (123,523)  | -           | -           | (1,756,076)  |
| Furniture and equipment                         | (2,798,711)               | (379,127)  | -           | -           | (3,177,838)  |
| Infrastructure                                  | (349,014)                 | (17,533)   | -           | -           | (366,547)    |
| Total accumulated depreciation                  | (4,780,278)               | (520,183)  | -           | -           | (5,300,461)  |
| Total capital assets, being depreciated, net    | 6,046,672                 | (520,183)  | -           | -           | 5,526,489    |
| Governmental activities capital assets, net     | \$ 8,724,362              | \$ 637,482 | \$ -        | \$ -        | \$ 9,361,844 |

Depreciation expense was charged to governmental functions as follows:

|                            |           |
|----------------------------|-----------|
| General government         | \$169,448 |
| Public safety              | 319,108   |
| Highway & Streets          | 16,087    |
| Culture & Recreation       | 15,540    |
| Total depreciation expense | \$520,183 |

## 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<br>Fund |
|--|--------------|----------------------|
| Delinquent property taxes, unavailable | \$428,820    | \$97,311             |
| Total deferred revenue                 | \$428,820    | \$97,311             |

## 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.

\$ 1,415,000

2018 Property Tax Revenue Bond payable to BBVA Compass Bank, originating on March 6, 2018, with interest of 3.33% with a maturity date of February 1, 2028 or entire amount, including accrued interest.

\$ 2,240,000

General Obligation Refunding Bond, Taxable Series 2019A payable to Branch Banking and Trust Company, originating on December 19, 2019, with interest rate of 3.65% with maturity date of August 1, 2030.

\$ 633,000

Bonds payable debt service requirements to maturity are as follows:

| <i>During the year ended September 30,</i> | Principal    | Interest   | Total        |
|--|--------------|------------|--------------|
| 2021                                       | \$ 440,000   | \$ 145,100 | \$ 585,100   |
| 2022                                       | 455,000      | 130,400    | 585,400      |
| 2023                                       | 513,000      | 115,184    | 628,184      |
| 2024                                       | 526,000      | 97,850     | 623,850      |
| 2025                                       | 533,000      | 80,072     | 613,072      |
| All years thereafter                       | 1,821,000    | 144,646    | 1,965,646    |
| Total                                      | \$ 4,288,000 | \$ 713,251 | \$ 5,001,251 |

## NOTE 11 – LONG-TERM DEBT

### *Notes Payable*

BB&T Tax Note Series 2019A payable to Branch Banking and Trust Company, \$ 785,000  
originating on December 19, 2019, with interest rate of 3.38% with maturity date of  
August 1, 2026.

BB&T Tax Note Series 2019 payable to Branch Banking and Trust Company,  
originating on August 15, 2019, with interest rate of 3.33% with maturity date of  
August 1, 2029. 1,200,000

|   |                     |
|---|---------------------|
| Total notes payable                         | 1,985,000           |
| Less: Current portion of notes payable      | <u>60,000</u>       |
| Total notes payable, net of current portion | <u>\$ 1,925,000</u> |

Note payable debt service requirements to maturity are as follows:

| <i>During the year ended September 30,</i> | Principal    | Interest   | Total        |
|--|--------------|------------|--------------|
| 2021                                       | \$ 60,000    | \$ 66,493  | \$ 126,493   |
| 2022                                       | 272,000      | 64,470     | 336,470      |
| 2023                                       | 281,000      | 55,344     | 336,344      |
| 2024                                       | 287,000      | 45,917     | 332,917      |
| 2025                                       | 298,000      | 36,282     | 334,282      |
| All years thereafter                       | 787,000      | 58,589     | 845,589      |
| Total                                      | \$ 1,985,000 | \$ 327,094 | \$ 2,312,094 |

### *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) \$ -

## 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   | -                 |
| % Lease Payable due in annual installments of \$14,385 including interest collateralized by Bunker Gear   | -                 |
| 6.84% Lease payable due in annual installments of \$14,927 including interest, collateralized by 2015 Chevrolet Tahoe (ID: #1028678728)   | -                 |
| 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)                               | -                 |
| 5.34% Lease payable due in 72 monthly installments of \$441 including interest, collateralized by a 2015 Chevrolet Silverado (ID: #3GCPCRECOFG324339)   | -                 |
| 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. | 481,108           |
| 3.28% Lease Payable due in monthly installments of \$1,875.11 including interest, collateralized by (4) 2017 Chevrolet Silverado's.   | 29,247            |
| 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.                               | 7,540             |
| 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)                     | -                 |
| 6.14% Lease payable due in 36 monthly installments of 1,775.83 including interest, collateralized by (2) Dodge Chargers (ID: 27534) (ID: 27535)   | -                 |
| Total capital lease obligation  | \$ 517,895        |
| Less: Current portion of capital lease obligation   | 69,871            |
| Total capital lease obligation, net of current portion  | <u>\$ 448,024</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, 2020 are as follows:

| <i>During the year ended September 30,</i> | Principal  | Interest   | Total      |
|--|------------|------------|------------|
| 2021                                       | \$ 69,871  | \$ 18,893  | \$ 88,764  |
| 2022                                       | 49,379     | 16,749     | 66,128     |
| 2023                                       | 43,590     | 15,107     | 58,697     |
| 2024                                       | 45,242     | 13,455     | 58,697     |
| 2025                                       | 46,956     | 11,740     | 58,696     |
| All years thereafter                       | 262,857    | 30,624     | 293,481    |
| Total                                      | \$ 517,895 | \$ 106,568 | \$ 624,463 |

The assets that have been acquired through capital leases net of accumulated depreciation as of September 30, 2020 are as follows:

### *For the year ended September 30, 2020*

|   | Governmental<br>activities |
|---|----------------------------|
| Furniture & Equipment                                 | \$ 651,340                 |
| Less: accumulated depreciation                        | <u>(505,260)</u>           |
| Total capital leases, net of accumulated depreciation | \$ 146,080                 |

### *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                | 453,713           |
| Less: Current portion of notes payable      | <u>26,311</u>     |
| Total notes payable, net of current portion | <u>\$ 427,402</u> |

**NOTE 11 – LONG-TERM DEBT**

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

| <i><b>During the year ended September 30,</b></i> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|---|-------------------|------------------|-------------------|
| 2021  | \$ 26,311         | \$ 4,537         | \$ 30,848         |
| 2022  | 26,574            | 4,274            | 30,848            |
| 2023  | 26,840            | 4,008            | 30,848            |
| 2024  | 27,108            | 3,740            | 30,848            |
| 2025  | 27,379            | 3,469            | 30,848            |
| All years thereafter                              | 319,501           | 19,470           | 338,971           |
| <b>Total</b>                                      | <b>\$ 453,713</b> | <b>\$ 39,498</b> | <b>\$ 493,211</b> |

**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, 2020 \$275,000.

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, 2020 \$1,680,000.

Sales Tax Revenue Bond Series 2020 payable to Frost Bank, originating on August 6, 2020, with an interest rate of 4.56% with a maturity date of August 15, 2035 for the entire amount including accrued interest. Balance at September 30, 2020 \$1,840,000.

Bonds payable debt service requirement to maturity are as follows:

| <i><b>During the year ended September 30,</b></i> | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>     |
|---|------------------|------------------|------------------|
| 2021  | 175,000          | 158,252          | 333,252          |
| 2022  | 200,000          | 151,496          | 351,496          |
| 2023  | 210,000          | 143,601          | 353,601          |
| 2024  | 225,000          | 135,515          | 360,515          |
| 2025  | 200,000          | 126,974          | 326,974          |
| All years thereafter                              | 2,785,000        | 706,502          | 3,491,502        |
| <b>Total</b>                                      | <b>3,795,000</b> | <b>1,422,340</b> | <b>5,217,340</b> |

## 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, 2020 \$241,319.

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, 2020 \$1,044,477.

| <i>During the year ended September 30,</i> | Principal    | Interest   | Total        |
|--|--------------|------------|--------------|
| 2021                                       | \$ 75,361    | \$ 83,915  | \$ 159,276   |
| 2022                                       | 79,558       | 79,941     | 159,499      |
| 2023                                       | 84,084       | 75,415     | 159,499      |
| 2024                                       | 88,964       | 70,535     | 159,499      |
| 2025                                       | 94,228       | 65,271     | 159,499      |
| All years thereafter                       | 863,601      | 278,335    | 1,141,936    |
| Total                                      | \$ 1,285,796 | \$ 653,412 | \$ 1,939,208 |

### Changes in Long-Term Liabilities

| <i>For the year ended September 30, 2020</i> | 2019          | Increase     | Decrease      | 2020          | Current Maturities |
|--|---------------|--------------|---------------|---------------|--------------------|
| Bonds payable                                | \$ 4,090,000  | \$ 633,000   | \$ (435,000)  | \$ 4,288,000  | \$ 440,000         |
| Notes payable                                | 1,835,741     | 785,000      | (635,741)     | 1,985,000     | 60,000             |
| Capital leases                               | 865,298       | -            | (347,403)     | 517,895       | 69,871             |
| Relending program                            | 479,763       | -            | (26,050)      | 453,713       | 26,311             |
| Compensated absences                         | 307,210       | 25,747       | -             | 332,957       | -                  |
| Net pension liability                        | 412,340       | -            | (181,364)     | 230,976       | -                  |
| Component Unit Bonds Payable                 | 3,461,449     | 1,840,000    | (220,653)     | 5,080,796     | 250,365            |
| Total long-term debt                         | \$ 11,451,801 | \$ 3,283,747 | \$(1,846,211) | \$ 12,889,337 | \$ 846,547         |



## **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](http://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, 2019 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    | 48        |
| Active employees   | <u>68</u> |
|  | 118       |

### *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 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$57,815 and were equal to the required contributions.

### *Net Pension Liability*

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 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, 2019 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 | Maximum % |
|-----------------------|-------------------|-----------|
| Global Equities       | 35%               | 45%       |
| Core Fixed Income     | 10%               | 15%       |
| Non-Core Fixed Income | 20%               | 25%       |
| Real Estate           | 10%               | 15%       |
| Real Return           | 10%               | 15%       |
| Absolute Return       | 10%               | 15%       |
| Private Equity        | 5%                | 10%       |
| Cash Equivalents      | 0%                | 10%       |
| <b>Total</b>          | <b>100.0%</b>     |           |

#### ***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*

|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability<br/>(a)- (b)</b> |
|---|--|--|---|
| <b>Net Pension Liability Beginning</b>                        | \$1,846,800                                | \$1,434,460  | \$412,340                                     |
| Changes for the year:   |  |  |   |
| Service cost  | 187,615                                    | -  | 187,615                                       |
| Interest  | 127,846                                    | -  | 127,846                                       |
| Change of benefit terms                                       | -  | -  | -   |
| Difference between expected and actual experience             | (53,304)                                   | -  | (53,304)                                      |
| Changes of assumptions  | (12,707)                                   | -  | (12,707)                                      |
| Contributions-employer  | -  | 57,815   | (57,815)                                      |
| Contributions-employee  | -  | 152,285  | (152,285)                                     |
| Net investment income   | -  | 222,005  | (222,005)                                     |
| Benefit payments, including refunds of employee contributions | (93,189)                                   | (93,189)   | -   |
| Administrative expense  | -  | (1,253)  | 1,253   |
| Other changes   | -  | (38)   | 38  |
| <b>Net Changes</b>  | <b>156,261</b>                             | <b>337,625</b>                                     | <b>(181,364)</b>                              |
| <b>Net Pension Liability Ending</b>                           | <b>2,003,061</b>                           | <b>1,772,085</b>                                   | <b>230,976</b>                                |

## 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:

| <b>1%<br/>Decrease<br/>5.75%</b> | <b>Current Single<br/>Rate<br/>Assumption<br/>6.75%</b> | <b>1%<br/>Increase<br/>7.75%</b> |
|----------------------------------|---|----------------------------------|
| \$661,735                        | \$230,976   | \$(103,729)                      |

### *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](http://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, 2020, the City recognized pension expense of \$48,114.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience           | 151,776                                       | 229,435                                      |
| Changes in actuarial assumptions                             |   | -  |
| Differences between projected and actual investment earnings | -   | 61,869                                       |
| Contributions Subsequent to Measurement Period               | 48,555  | -  |
| <b>Total</b>   | <b>200,331</b>                                | <b>291,304</b>                               |

\$48,555 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|              | <b>Net Deferred Outflows<br/>(Inflows) of Resources</b> |
|--------------|---|
| 2020         | \$ (30,667)   |
| 2021         | (30,632)  |
| 2022         | (14,780)  |
| 2023         | (43,735)  |
| 2024         | (12,222)  |
| Thereafter   | (7,492)   |
| <b>Total</b> | <b>(139,528)</b>  |

## 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<br>2019 | Plan Year<br>2018 |
|---|-------------------|-------------------|
| 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, 2020.

### **Prior Period Adjustments -Fund Level**

#### *General Fund*

|   |            |
|---|------------|
| To record accounts receivables charges from EMS not recorded properly in prior year | \$ 152,317 |
|---|------------|

#### *Debt Service Fund*

|   |       |
|---|-------|
| To correct accounts receivables from taxes not recognized correctly in prior year | 2,998 |
|---|-------|

#### *Asset & Forfeiture Fund*

|   |         |
|---|---------|
| To record cash in bank and outstanding items not recognized in prior year | 74,108  |
|   | <hr/>   |
|   | 229,423 |

### **Prior period Adjustments - Government Wide**

|                                     |           |
|-------------------------------------|-----------|
| To correct construction in Progress | (871,673) |
|-------------------------------------|-----------|

|   |         |
|---|---------|
| To remove unamortized cost from fixed assets carried over from prior year | (3,931) |
|---|---------|

|  |           |
|--|-----------|
| To correct unearned revenues from prior year | 1,537,852 |
|--|-----------|

|   |         |
|---|---------|
| To correct bond payable balance from prior year | 16,897  |
|   | <hr/>   |
|   | 679,145 |

|   |             |
|---|-------------|
| <b>Total Prior Period Adjustment Fund Level and Government Wide</b> | <hr/> <hr/> |
|   | \$ 908,568  |

## NOTE 18 - SUBSEQUENT EVENT

Management has evaluated subsequent events through July 15, 2022 the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALMVIEW, TEXAS**

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

General Fund

For the Year Ended September 30, 2020

|   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Final</b>       |
|---|-------------------------|---------------------|---------------------|--------------------|
|   | <b>Original</b>         | <b>Final</b>        | <b>Budget</b>       | <b>Variance</b>    |
|   |                         |                     | <b>Basis</b>        | <b>Budget</b>      |
|   |                         |                     |                     | <b>Basis</b>       |
| <b>Revenues</b>   |                         |                     |                     |                    |
| Property Taxes  | \$ 2,748,598            | \$ 2,748,598        | \$ 2,074,556        | \$ ( 674,042 )     |
| Sales Taxes   | 1,004,772               | 1,004,772           | 1,828,997           | 824,225            |
| Franchise Taxes   | 395,969                 | 395,969             | 544,508             | 148,539            |
| Other Taxes   | 19,500                  | 19,500              | 8,248               | ( 11,252 )         |
| Charges for Services  | 2,822,634               | 2,822,634           | 2,330,259           | ( 492,375 )        |
| Rent  | 190,000                 | 190,000             | 144,000             | ( 46,000 )         |
| Other Revenues  | 224,640                 | 236,713             | 22,682              | ( 214,031 )        |
| State Grants  | 276,073                 | 276,073             | 161,732             | ( 114,341 )        |
| Interest Revenue  | 35                      | 35                  | 35                  | -                  |
| <b>Total Revenues</b>   | <b>7,682,221</b>        | <b>7,694,294</b>    | <b>7,115,017</b>    | <b>( 579,277 )</b> |
| <b>Other Financing Sources</b>  |                         |                     |                     |                    |
| Proceeds from Bonds   | -                       | -                   | 1,418,000           | 1,418,000          |
| <b>Total Revenues and Other Financing Sources</b>   | <b>7,682,221</b>        | <b>7,694,294</b>    | <b>8,533,017</b>    | <b>838,723</b>     |
| <b>Expenditures</b>   |                         |                     |                     |                    |
| General Government  | 3,256,605               | 3,268,678           | 3,315,268           | ( 46,590 )         |
| Public Safety   | 2,483,084               | 2,483,084           | 2,252,162           | 230,922            |
| Highways & Streets  | 749,573                 | 749,573             | 694,818             | 54,755             |
| Culture & Recreation  | 322,604                 | 322,604             | 224,024             | 98,580             |
| Bond Issuance Cost  | 180,000                 | 180,000             | 133,791             | 46,209             |
| Debt Principal  | 446,711                 | 446,711             | 745,896             | ( 299,185 )        |
| Debt Interest   | 243,644                 | 243,644             | 35,078              | 208,566            |
| <b>Total Expenditures</b>   | <b>7,682,221</b>        | <b>7,694,294</b>    | <b>7,401,037</b>    | <b>293,257</b>     |
| <b>Other Financing Uses</b>   |                         |                     |                     |                    |
| Transfers to other funds  | -                       | -                   | 610,897             | ( 610,897 )        |
| <b>Total Expenditures and Other Financing Uses</b>  | <b>7,682,221</b>        | <b>7,694,294</b>    | <b>8,011,934</b>    | <b>( 317,640 )</b> |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <b>-</b>                | <b>-</b>            | <b>521,083</b>      | <b>521,083</b>     |
| <b>Net Change in Fund Balance</b>   | <b>-</b>                | <b>-</b>            | <b>521,083</b>      | <b>521,083</b>     |
| <i>Fund Balance at Beginning of Period</i>  | <i>979,246</i>          | <i>979,246</i>      | <i>979,246</i>      | <i>-</i>           |
| <i>Prior Period Adjustment</i>  | <i>183,136</i>          | <i>183,136</i>      | <i>183,136</i>      | <i>-</i>           |
| <b>Fund Balance at End of Period</b>  | <b>\$ 1,162,382</b>     | <b>\$ 1,162,382</b> | <b>\$ 1,683,465</b> | <b>\$ 521,083</b>  |

CITY OF PALMVIEW, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

|  | FY 2020<br>Plan Year 2019 | FY 2019<br>Plan Year 2018 | FY 2018<br>Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| <b>A. Total Pension Liability</b>  |                           |                           |                           |
| Service Cost   | \$ 187,615                | \$ 157,478                | \$ 145,082                |
| Interest (on the Total Pension Liability)  | 127,846                   | 110,968                   | 106,821                   |
| Changes of Benefit Terms   | -                         | -                         | -                         |
| Difference between Expected and Actual Experience                                | (53,304)                  | 60,838                    | (138,876)                 |
| Changes of Assumptions   | (12,707)                  | -                         | -                         |
| Benefit Payments, Including Refunds of Employee Contributions                    | (93,189)                  | (95,424)                  | (20,154)                  |
| Net Change in Total Pension Liability  | \$ 156,261                | \$ 233,860                | \$ 92,873                 |
| Total Pension Liability - Beginning  | 1,846,800                 | 1,612,940                 | 1,520,067                 |
| Total Pension Liability - Ending   | <u>\$ 2,003,061</u>       | <u>\$ 1,846,800</u>       | <u>\$ 1,612,940</u>       |
| <b>B. Total Fiduciary Net Position</b>   |                           |                           |                           |
| Contributions - Employer   | \$ 57,815                 | \$ 55,993                 | \$ 54,391                 |
| Contributions - Employee   | 152,285                   | 127,204                   | 119,508                   |
| Net Investment Income  | 222,005                   | (41,719)                  | 150,746                   |
| Benefit Payments, Including Refunds of Employee Contributions                    | (93,189)                  | (95,424)                  | (20,154)                  |
| Administrative Expense   | (1,253)                   | (804)                     | (780)                     |
| Other  | (38)                      | (42)                      | (40)                      |
| Net Change in Plan Fiduciary Net Position  | \$ 337,625                | \$ 45,208                 | \$ 303,671                |
| Plan Fiduciary Net Position - Beginning  | 1,434,460                 | 1,389,252                 | 1,085,581                 |
| Plan Fiduciary Net Position - Ending   | <u>\$ 1,772,085</u>       | <u>\$ 1,434,460</u>       | <u>\$ 1,389,252</u>       |
| <b>C. Net Pension Liability</b>  | <u>\$ 230,976</u>         | <u>\$ 412,340</u>         | <u>\$ 223,688</u>         |
| <b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 88.47%                    | 77.67%                    | 86.13%                    |
| <b>E. Covered Payroll</b>  | \$ 3,045,691              | \$ 2,544,077              | \$ 2,390,153              |
| <b>F. Net Pension Liability as a Percentage of Covered Payroll</b>               | 7.58%                     | 16.21%                    | 9.36%                     |

Note: GASB Codification, Vol. 2, P20.146 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.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

| FY 2017<br>Plan Year 2016 |           | FY 2016<br>Plan Year 2015 |           | FY 2015<br>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)  |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
| \$                        | 185,946   | \$                        | 179,074   | \$                        | 143,220   |
|                           | 1,334,121 |                           | 1,155,047 |                           | 1,011,827 |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
| \$                        | 1,520,067 | \$                        | 1,334,121 | \$                        | 1,155,047 |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
|                           |           |                           |           |                           |           |
| \$                        | 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)      |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
| \$                        | 180,047   | \$                        | 92,476    | \$                        | 127,937   |
|                           | 905,534   |                           | 813,058   |                           | 685,121   |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
| \$                        | 1,085,581 | \$                        | 905,534   | \$                        | 813,058   |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
|                           |           |                           |           |                           |           |
| \$                        | 434,486   | \$                        | 428,587   | \$                        | 341,989   |
| <hr/>                     |           | <hr/>                     |           | <hr/>                     |           |
|                           | 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 2020

|   | 2020         | 2019         | 2018         |
|---|--------------|--------------|--------------|
| Actuarially Determined Contribution                                   | \$ 57,815    | \$ 55,993    | \$ 54,391    |
| Contributions in Relation to the Actuarially Determined Contributions | 57,815       | 55,993       | 54,391       |
| Contribution Deficiency (Excess)                                      | \$ -         | \$ -         | \$ -         |
| Covered Payroll   | \$ 3,045,691 | \$ 2,544,077 | \$ 2,390,153 |
| Contributions as a Percentage of Covered Payroll                      | 1.90%        | 2.20%        | 2.27%        |

Note: GASB Codification, Vol. 2, P20.146 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.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

| 2017         | 2016         | 2015         |  |
|--------------|--------------|--------------|--|
| \$ 43,741    | \$ 41,455    | \$ 33,664    |  |
| 43,741       | 41,455       | 33,664       |  |
| \$ -         | \$ -         | \$ -         |  |
|              |              |              |  |
| \$ 2,174,287 | \$ 1,875,771 | \$ 1,618,090 |  |
| 2.01%        | 2.21%        | 2.08%        |  |

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES



**CITY OF PALMVIEW, TEXAS**  
Combining Balance Sheet  
Non-Major Governmental Funds  
September 30, 2020

|  | <u>Special Revenue Funds</u> |                         |                              | <u>Debt Service</u> |  |
|--|------------------------------|-------------------------|------------------------------|---------------------|--|
|  | <u>Federal Forfeiture</u>    | <u>Capital Projects</u> | <u>State Forfeiture Fund</u> | <u>Debt Service</u> | <u>Total Nonmajor Governmental Funds</u> |
| <b>ASSETS</b>  |                              |                         |                              |                     |  |
| Cash and Cash Equivalents  | \$ 354,843                   | \$ -                    | \$ 26,641                    | \$ -                | \$ 381,484                               |
| Accounts Receivable - Property Taxes                                     | -                            | -                       | -                            | 104,972             | 104,972                                  |
| Inventories  | 64,784                       | -                       | -                            | -                   | 64,784                                   |
| Restricted Cash  | -                            | -                       | -                            | 46,647              | 46,647                                   |
| Due From Other Funds   | -                            | -                       | -                            | 15,000              | 15,000                                   |
| <b>Total Assets</b>  | <u>419,627</u>               | <u>-</u>                | <u>26,641</u>                | <u>166,619</u>      | <u>612,887</u>                           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                    |                              |                         |                              |                     |  |
| Aggregated deferred outflows   | -                            | -                       | -                            | -                   | -  |
| <b>Total Assets and Deferred Outflows of Resources</b>                   | <u>\$ 419,627</u>            | <u>\$ -</u>             | <u>\$ 26,641</u>             | <u>\$ 166,619</u>   | <u>\$ 612,887</u>                        |
| <b>LIABILITIES</b>   |                              |                         |                              |                     |  |
| Accounts Payable   | \$ 306                       | \$ -                    | \$ -                         | \$ -                | \$ 306                                   |
| Unearned Revenue   | -                            | -                       | -                            | 97,311              | 97,311                                   |
| Due to Other Funds   | -                            | -                       | 27,821                       | 35,450              | 63,271                                   |
| <b>Total Liabilities</b>   | <u>306</u>                   | <u>-</u>                | <u>27,821</u>                | <u>132,761</u>      | <u>160,888</u>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                              |                         |                              |                     |  |
| Aggregated deferred inflows  | -                            | -                       | -                            | -                   | -  |
| <b>Total Deferred Inflows of Resources</b>                               | <u>-</u>                     | <u>-</u>                | <u>-</u>                     | <u>-</u>            | <u>-</u>                                 |
| <b>FUND BALANCE</b>  |                              |                         |                              |                     |  |
| Assigned   | -                            | -                       | -                            | -                   | -  |
| Unassigned   | 419,321                      | -                       | ( 1,180 )                    | 33,858              | 451,999                                  |
| <b>Total Fund Balance</b>  | <u>419,321</u>               | <u>-</u>                | <u>( 1,180 )</u>             | <u>33,858</u>       | <u>451,999</u>                           |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <u>\$ 419,627</u>            | <u>\$ -</u>             | <u>\$ 26,641</u>             | <u>\$ 166,619</u>   | <u>\$ 612,887</u>                        |

**CITY OF PALMVIEW, TEXAS**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended September 30, 2020

|   | <u>Special Revenue Funds</u>   |                         |                              | <u>Debt Service</u>     | <u>Total Non-Major Governmental Funds</u> |
|---|--------------------------------|-------------------------|------------------------------|-------------------------|---|
|   | <u>Federal Forfeiture Fund</u> | <u>Capital Projects</u> | <u>State Forfeiture Fund</u> | <u>Debt Service</u>     |   |
| <b>Revenues</b>                                     |                                |                         |                              |                         |   |
| Property Taxes                                      | \$ -                           | \$ -                    | \$ -                         | \$ 674,360              | \$ 674,360                                |
| Miscellaneous Revenues                              | 267,994                        | -                       | -                            | 8,403                   | 276,397                                   |
| Federal Grants                                      | 73,331                         | -                       | -                            | -                       | 73,331                                    |
| Interest Revenue                                    | -                              | -                       | 30                           | 453                     | 483                                       |
| <b>Total Revenues</b>                               | <u>341,325</u>                 | <u>-</u>                | <u>30</u>                    | <u>683,216</u>          | <u>1,024,571</u>                          |
| <b>Expenditures</b>                                 |                                |                         |                              |                         |   |
| Public Safety                                       | 41,443                         | -                       | 3,020                        | -                       | 44,463                                    |
| Capital Outlay                                      | -                              | 610,897                 | -                            | -                       | 610,897                                   |
| <b>Total Expenditures</b>                           | <u>41,443</u>                  | <u>610,897</u>          | <u>3,020</u>                 | <u>-</u>                | <u>655,360</u>                            |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <u>299,882</u>                 | <u>( 610,897 )</u>      | <u>( 2,990 )</u>             | <u>683,216</u>          | <u>369,211</u>                            |
| <b>Other Financing Sources (Uses)</b>               |                                |                         |                              |                         |   |
| Proceeds for Issuance of Bonds                      | -                              | -                       | -                            | -                       | -   |
| Payment of Debt                                     | -                              | -                       | -                            | ( 435,000 )             | ( 435,000 )                               |
| Payment of Interest                                 | -                              | -                       | -                            | ( 199,286 )             | ( 199,286 )                               |
| Transfers to other funds                            | -                              | 610,897                 | -                            | -                       | 610,897                                   |
| <b>Net Other Financing Sources (Uses)</b>           | <u>-</u>                       | <u>610,897</u>          | <u>-</u>                     | <u>( 634,286 )</u>      | <u>( 23,389 )</u>                         |
| <b>Net Change in Fund Balance</b>                   | <b>299,882</b>                 | <b>-</b>                | <b>(2,990)</b>               | <b>48,930</b>           | <b>345,822</b>                            |
| Fund Balance at Beginning of Period                 | 119,439                        | -                       | 1,810                        | (15,072)                | 106,177                                   |
| Prior Period Adjustments                            | -                              | -                       | -                            | -                       | -   |
| <b>Fund Balance at End of Period</b>                | <u><b>\$ 419,321</b></u>       | <u><b>\$ -</b></u>      | <u><b>\$ (1,180)</b></u>     | <u><b>\$ 33,858</b></u> | <u><b>\$ 451,999</b></u>                  |

COMPONENT UNIT FUND  
FINANCIAL STATEMENTS

**PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT**

Balance Sheet  
Governmental Funds  
September 30, 2020

|                                    | <u>General Fund</u>        |
|------------------------------------|----------------------------|
| Assets                             |                            |
| Cash and Cash Equivalents          | <u>\$ 1,893,750</u>        |
| Total Assets                       | <u><u>\$ 1,893,750</u></u> |
| Liabilities                        |                            |
| Accounts Payable                   | <u>\$ 3,334</u>            |
| Total Liabilities                  | <u>3,334</u>               |
| Fund Balance                       |                            |
| Unassigned Fund Balance            | <u>1,890,416</u>           |
| Total Fund Balance                 | <u><u>1,890,416</u></u>    |
| Total Liabilities and Fund Balance | <u><u>\$ 1,893,750</u></u> |

## **PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT**

### **Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2020**

|  |    |                       |
|--|----|-----------------------|
| Total Fund Balance - Governmental Funds  | \$ | 1,890,416             |
| Other Non Current Assets in the Balance Sheet.<br>These are expensed when acquired in the Statement<br>of Revenues, Expenditures, and Changes in Fund<br>Balance.  |    | 3,790,039             |
| Long-term liabilities applicable to the city's<br>governmental activities are not due in the current<br>period and accordingly are not reported as fund<br>liabilities. All liabilities, both current and long-term,<br>are reported in the Statement of Net Position. |    | ( 5,301,449 )         |
| Principal payments on long-term expensed in<br>governmental fund statements, treated as<br>reductions of outstanding debt in entity wide<br>statements.  |    | 220,652               |
| Rounding   |    | -                     |
| Total Net Position of Governmental Activities -<br>Statement of Net Position   | \$ | <u><u>599,658</u></u> |

The notes to these statements are an integral part of these statements.

**PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT**

Balance Sheet  
Governmental Funds  
September 30, 2020

|   | <u>General Fund</u> |
|---|---------------------|
| Revenues:   |                     |
| General Sales and Use Taxes                               | \$ 527,948          |
| Miscellaneous Income                                      | <u>6,000</u>        |
| Total Revenues  | <u>533,948</u>      |
| Expenditures:   |                     |
| Municipal Development District                            | 481,674             |
| Debt Service:   |                     |
| Principal on Debt   | <u>220,652</u>      |
| Total Expenditures  | <u>702,326</u>      |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | ( 168,378 )         |
| Other Financing Sources (Uses)                            |                     |
| Proceeds from Bond  | <u>1,840,000</u>    |
| Total Other Financing Sources (Uses)                      | <u>1,840,000</u>    |
| Net Change in Fund Balance                                | 1,671,622           |
| Fund Balance - October 1 (Beginning)                      | 194,794             |
| Prior Period Adjustment                                   | <u>24,000</u>       |
| Fund Balance - October 1 (Restated)                       | 218,794             |
| Fund Balance - September 30 (Ending)                      | <u>\$ 1,890,416</u> |

**PALMVIEW MUNICIPAL DEVELOPMENT DISTRICT**  
Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance with Statement of Activities  
For the Year Ended September 30, 2020

|  |                  |
|--|------------------|
| Total Net Change in Fund Balances - Governmental Funds   | \$ 1,671,622     |
| Principal Payments   | 220,652          |
| Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements. | ( 1,840,000 )    |
| Changes in Net Position-Governmental Funds   | <u>\$ 52,274</u> |

The notes to these statements are an integral part of these statements.

## 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, 2020, 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 July 15, 2022.

#### ***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. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02 that we consider to be a non-material significant deficiencies.

# LUIS C OROZCO

## CERTIFIED PUBLIC ACCOUNTANT

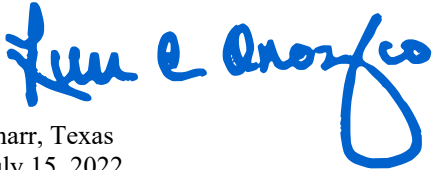
808 Del Oro Lane  
Pharr, TX 78577  
lcocpa@lcocpa.com

### *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.

### **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  
July 15, 2022

# LUIS C OROZCO

## CERTIFIED PUBLIC ACCOUNTANT

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

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

#### Independent Auditor's Report

Honorable Mayor and Members of the  
City Council of the  
City of Palmview

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Palmview, Texas (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

# LUIS C OROZCO

## CERTIFIED PUBLIC ACCOUNTANT

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

### *Opinion on Each Major Federal Program*

In our opinion, the City of Palmview complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

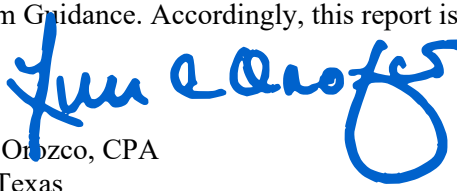
### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Luis C Orozco, CPA  
Pharr, Texas  
July 15, 2022

CITY OF PALMVIEW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**I. Summary of the Auditors' Results:**

|  |                  |
|--|------------------|
| The type of auditors' report on financial statements:  | Unmodified       |
| Regarding internal control over financial reporting:   |                  |
| a. Material weakness(es) identified:   | None             |
| b. Significant deficiencies identified that are not considered to be material weaknesses:    | Yes              |
| c. Noncompliance which is material to the financial statements:                              | None             |
| d. Regarding internal control over major programs:   |                  |
| Material weakness(es) identified:  | None             |
| Significant deficiencies identified that are not considered to be material weaknesses:       | None reported    |
| e. Type of auditors' report on compliance with major programs:                               | Unmodified       |
| f. Any audit findings which are required to be reported in accordance with 2 CRF 200.516(a): | No               |
| Major programs are as follows:   | 21.019 CARES Act |
| h. Dollar threshold used to distinguish between Type A and Type B programs:                  | \$750,000        |
| i. Low risk auditee:   | No               |

CITY OF PALMVIEW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

2020-01: Year- End Closing of the Financial Statements

Criteria: Controls relative to timely and proper close-out of financial statements at year-end should be in place, in order to provide management and other third-party stakeholders with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state and local reporting deadlines.

Condition: A significant amount of time lapsed after year-end, before the financial statements were properly closed out and made available for review.

Cause: The delay of the financial statement availability was a cumulation of the City's change in financial software, the COVID 19 pandemic, and delays in the year end closing entries.

Effect: The audit was not completed within the required within the required federal, state, and local reporting deadlines.

Recommendation: The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes.

Views of Responsible Officials: Management concurs with auditor's finding and recommendation.

2020-02: Expenditures Over Appropriations

Criteria: Texas Local Government Code, Title 4, Subtitle A., Chapter 102 Municipal Budget establishes the law governing the annual General Fund budget requirements for the City.

Condition: The City's General Fund had excess expenditures over appropriations for the following expense categories; general government and debt principal.

Cause: The City did not properly amend the budget to allow for the expenditures.

Effect: The City was not in compliance with the Texas Local Government Code.

Recommendation: The City should review their budget throughout the year and propose amendments to ensure compliance with State Law.

Views of Responsible Officials: Management concurs with auditor's finding and recommendation.

**III. Findings and Questioned Costs for Federal Awards.**

None reported.

CITY OF PALMVIEW  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

None

CITY OF PALMVIEW  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
(Prepared by city's personnel)

2020-01: Year- End Closing of the Financial Statements

The City agrees with the finding. The finance department will implement internal controls relating to financial statement accounting and reporting to ensure that timely and reliable financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes. The reports will be printed and filed for review in the finance department.

Contact Information:

Michael Leo, City Manager  
956-432-0300

Implementation Date: September 30, 2022

2020-02: Expenditures over Appropriations

The City agrees with the finding. Finance Department will implement internal controls (both systematically and procedurally) to prohibit expenditures without an available budget. All budget amendments will be requested and processed prior to the commitment by the City.

Contact Information:

Michael Leo, City Manager  
956-432-0300

Implementation Date: September 30, 2022



City of Palmview, Texas  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2020

| (1)   | (2)                       | (3)  | (4)                                | (5)                     |
|---|---------------------------|--|------------------------------------|-------------------------|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title             | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Funds Provided<br>to Subrecipients | Federal<br>Expenditures |
| <u>U.S. DEPARTMENT OF JUSTICE</u>   |                           |  |                                    |                         |
| Passed Through Texas Office of the Governor-Criminal Justice Division (CJD)       |                           |  |                                    |                         |
| Crime Victims Liaison Grant   | 16.575                    | 2098473                                      | -                                  | \$ 36,287               |
| Total Passed Through Texas Office of the Governor-Criminal Justice Division (CJD) |                           |  |                                    | \$ 36,287               |
| <u>U.S. DEPARTMENT OF THE TREASURY</u>  |                           |  |                                    |                         |
| Passed Through Hidalgo County   |                           |  |                                    |                         |
| Coronavirus Aid, Relief, and Economic Security (CARES) Act                        | 21.019                    | PAL  | -                                  | \$ 1,387,977            |
| Total U.S. DEPARTMENT OF TREASURY   |                           |  |                                    | \$ 1,387,977            |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>                           |                           |  |                                    |                         |
| Passed Through Hidalgo County Urban County Program                                |                           |  |                                    |                         |
| Community Development Block Grants/Entitlement Grants                             | 14.218                    | B-18-MC-55-0311                              | -                                  | \$ 265,973              |
| Community Development Block Grants/Entitlement Grants                             | 14.218                    | B-19-MC-55-0311                              |                                    | 264,896                 |
| Community Development Block Grants/Entitlement Grants                             | 14.218                    | B-20-MC-55-0311                              |                                    | 15,899                  |
| Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT                            |                           |  |                                    | \$ 546,768              |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                       |                           |  |                                    | <b>\$ 1,971,032</b>     |

CITY OF PALMVIEW, TEXAS  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2020

The City uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund because it is restricted for specific purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. Nearly all Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

Usually Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When Federal grant funds are received before related expenditures are made, they are recorded as deferred revenues.

- The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Palmview, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- The City has elected not to use the 10% de minimis indirect cost rate. No grants received by the City for the year ended September 30, 2020 provided for reimbursement of indirect costs.