

CITY OF ANSON, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2019

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MARCH 31, 2019

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Financial Section



Certified Public Accountants and Business Advisors

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December 12, 2019

Independent Auditor's Report on Financial Statements

Honorable Mayor, Members of the City Council
City of Anson, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Anson, Texas as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 general-purpose financial statements are free of 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Anson, Texas as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the City is in default on debt with the United States Department of Agriculture "USDA". The City and the USDA are in negotiations, however no agreement has been reached. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 37, Schedule of Changes in Net Pension Liability and Related Ratios - Pension Plan, Schedule of Contributions - Pension Plan on pages 38 - 39, and Schedule of Changes in Net OPEB Liability and Related Ratios - OPEB Plan on page 40 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2019 on our consideration of the City of Anson'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 of Anson's internal control over financial reporting and compliance.



Certified Public Accountants

Basic Financial Statements

CITY OF ANSON, TEXAS
STATEMENT OF NET POSITION
MARCH 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 934,399	\$ 156,526	\$ 1,090,925
Certificates of deposit	60,707		60,707
Receivables, net of allowance for uncollectible	161,065	145,029	306,094
Prepaid expenses	124		124
Due from other funds	31,484		31,484
Notes receivable, current	14,641		14,641
Restricted assets:			
Cash and cash equivalents - debt service	92,189	85,996	178,185
Capital assets, net of accumulated depreciation:			
Land	32,608	200,944	233,552
Buildings and improvements	1,195,103	4,635,268	5,830,371
Machinery and equipment	1,098,221	371,837	1,470,058
Infrastructure	2,158,162		2,158,162
Construction in progress	64,907	283,775	348,682
Other assets:			
Notes receivable	67,436		67,436
Net pension asset	7,984	7,550	15,534
Total Assets	5,919,030	5,886,925	11,805,955
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	39,865	37,699	77,564
Total Deferred Outflows of Resources	39,865	37,699	77,564
LIABILITIES			
Current Liabilities:			
Accounts payable	37,796	109,057	146,853
Due to other funds	7,926	23,558	31,484
Customer deposits		103,085	103,085
Accrued interest payable	10,470	586,037	596,507
Compensated absences	9,112	28,273	37,385
Notes payable - current	16,613	57,623	74,236
Certificates of obligation - current	98,550	368,950	467,500
Capital lease payable - current	25,409		25,409
Noncurrent Liabilities:			
Notes payable	52,784	615,001	667,785
Certificates of obligation	983,000	3,242,500	4,225,500
Capital lease payable	259,600		259,600
Net OPEB liability	21,990	21,127	43,117
Total Liabilities	1,523,250	5,155,211	6,678,461
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	18,299	17,306	35,605
Deferred inflows of resources related to OPEB	1,940	1,864	3,804
Total Deferred Inflows of Resources	20,239	19,170	39,409
NET POSITION			
Net investment in capital assets	3,227,045	1,406,859	4,633,904
Restricted	100,630	85,996	186,626
Unrestricted	1,087,731	(742,612)	345,119
Total Net Position	\$ 4,415,406	\$ 750,243	\$ 5,165,649

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

Functions/Programs	Net (Expense) Revenues and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES					
General government	\$ 249,050	\$ 17,981	\$ (231,069)	\$	\$ (231,069)
Judicial and legal	140,885		(140,885)		(140,885)
Public safety	526,004		(526,004)		(526,004)
Culture and recreation	111,308		(111,308)		(111,308)
Economic development	36,315		(36,315)		(36,315)
Streets	430,151		(430,151)		(430,151)
Interest on long-term debt	25,154		(25,154)		(25,154)
Total Governmental Activities	<u>1,518,867</u>	<u>17,981</u>	<u>(1,500,886)</u>	<u>-</u>	<u>(1,500,886)</u>
BUSINESS-TYPE ACTIVITIES					
Water and refuse services	<u>2,104,859</u>	<u>1,974,469</u>		<u>(130,390)</u>	<u>(130,390)</u>
Total Business-Type Activities	<u>2,104,859</u>	<u>1,974,469</u>	<u>-</u>	<u>(130,390)</u>	<u>(130,390)</u>
Total Primary Government	<u>\$ 3,623,726</u>	<u>\$ 1,992,450</u>	<u>\$ (1,500,886)</u>	<u>\$ (130,390)</u>	<u>\$ (1,631,276)</u>
General Revenues:					
Property tax			\$ 885,698	\$	\$ 885,698
Sales tax			365,185		365,185
Franchise and other tax			94,436		94,436
Fines and fees			166,273		166,273
Grant income			115,155		115,155
Donation income			45,869		45,869
Investment earnings			1,428	93	1,521
Miscellaneous			107,606	25,340	132,946
Operating transfers			(15,454)	15,454	-
Total General Revenues			<u>1,766,196</u>	<u>40,887</u>	<u>1,807,083</u>
Change in Net Position			265,310	(89,503)	175,807
Net Position - Beginning (as originally stated)			4,046,188	861,519	4,907,707
Prior period adjustment (see Note 12)			103,908	(21,773)	82,135
Net Position - Beginning (as restated)			<u>4,150,096</u>	<u>839,746</u>	<u>4,989,842</u>
Net Position - Ending			<u>\$ 4,415,406</u>	<u>\$ 750,243</u>	<u>\$ 5,165,649</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2019

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 738,013	\$ 196,386	\$ 934,399
Cash and cash equivalents - debt service	92,189		92,189
Certificates of deposit	23,328	37,379	60,707
Receivables:			
Property taxes, net of allowance for uncollectible	105,585		105,585
Sales tax	55,480		55,480
Prepaid expenses		124	124
Due from other funds	<u>23,558</u>	<u>7,926</u>	<u>31,484</u>
 Total Assets	 <u>\$ 1,038,153</u>	 <u>\$ 241,815</u>	 <u>\$ 1,279,968</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 37,392	\$ 404	\$ 37,796
Due to other funds	<u>7,926</u>		<u>7,926</u>
 Total Liabilities	 <u>45,318</u>	 <u>404</u>	 <u>45,722</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	<u>105,585</u>		<u>105,585</u>
 Total Deferred Inflows of Resources	 <u>105,585</u>	 <u>-</u>	 <u>105,585</u>
Fund Balance:			
Restricted fund balance	100,630		100,630
Assigned fund balance	122,595	241,411	364,006
Unassigned fund balance	<u>664,025</u>		<u>664,025</u>
 Total Fund Balance	 <u>887,250</u>	 <u>241,411</u>	 <u>1,128,661</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 1,038,153</u>	 <u>\$ 241,815</u>	 <u>\$ 1,279,968</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2019

Total fund balances - governmental funds balance sheet	\$ 1,128,661
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,549,001
Notes receivable used in governmental activities are not reported in the funds.	82,077
Net pension asset used in governmental activities are not reported in the funds.	7,984
Deferred outflows of resources related to pensions used in governmental activities are not reported in the funds.	39,865
Deferred inflows of resources related to pensions used in governmental activities are not reported in the funds.	(18,299)
Deferred inflows of resources related to OPEB used in governmental activities are not reported in the funds.	(1,940)
Compensated absences used in governmental activities are not reported in the funds.	(9,112)
Net OPEB liability used in governmental activities are not reported in the funds.	(21,990)
Long-term debt liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.	
Accrued interest payable	(10,470)
Notes payable	(69,397)
Certificates of obligation	(1,081,550)
Capital lease payable	(285,009)
Property tax revenue considered unavailable for the governmental funds and recorded as a deferred inflow of resources in the governmental funds.	<u>105,585</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 4,415,406</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes, penalties and interest	\$ 879,337	\$	\$ 879,337
Sales tax	319,537	45,648	365,185
Other tax	94,436		94,436
Fines and fees	166,273		166,273
Charges for services	17,981		17,981
Donation income		45,869	45,869
Local reimbursement		7,071	7,071
Interest	268	1,160	1,428
Miscellaneous	29,959	22,459	52,418
	<u>1,507,791</u>	<u>122,207</u>	<u>1,629,998</u>
Total revenues			
	<u>1,507,791</u>	<u>122,207</u>	<u>1,629,998</u>
EXPENDITURES			
General government	459,952		459,952
Judicial and legal	140,885		140,885
Public safety	435,659	32,400	468,059
Culture and recreation	61,196	43,699	104,895
Economic development		43,776	43,776
Streets	179,040		179,040
Debt service:			
Principal	111,844		111,844
Interest	39,950	4,327	44,277
Capital outlay	306,548	65,154	371,702
	<u>1,735,074</u>	<u>189,356</u>	<u>1,924,430</u>
Total expenditures			
	<u>1,735,074</u>	<u>189,356</u>	<u>1,924,430</u>
Excess (Deficit) Revenues over Expenditures	(227,283)	(67,149)	(294,432)
OTHER SOURCES (USES)			
Grant proceeds	99,114	16,041	115,155
Transfers in	254,127	83,234	337,361
Transfers out	(347,815)	(5,000)	(352,815)
	<u>5,426</u>	<u>94,275</u>	<u>99,701</u>
Total other sources			
	<u>5,426</u>	<u>94,275</u>	<u>99,701</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(221,857)	27,126	(194,731)
Fund balances - Beginning (as originally stated)	1,109,107	110,377	1,219,484
Prior period adjustment (see Note 12)	-	103,908	103,908
Fund Balance - Beginning (as restated)	1,109,107	214,285	1,323,392
Fund balances - Ending	<u>\$ 887,250</u>	<u>\$ 241,411</u>	<u>\$ 1,128,661</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 2019*

Net change in fund balances - total governmental funds	\$ (194,731)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures, but shown as increases in capital assets.	371,702
Depreciation is not recognized as an expense in governmental funds since it does not require use of current financial resources.	(332,516)
Governmental funds report debt payments as expenditures, but shown as decreases in notes payable and certificates of obligation.	275,844
Various other adjustments and eliminations including pension adjustments are necessary to convert to accrual accounting.	<u>145,011</u>
Change in net assets of governmental activities - Statement of Activities	<u><u>\$ 265,310</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2019

	Water Fund	Garbage Fund	Business-type Activities Enterprise Fund <u>Total Enterprise Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 100,272	\$ 56,254	\$ 156,526
Accounts receivable, net of allowance for bad debt	<u>105,717</u>	<u>39,312</u>	<u>145,029</u>
Total Current Assets	<u>205,989</u>	<u>95,566</u>	<u>301,555</u>
Restricted assets:			
Cash and cash equivalents	<u>85,996</u>		<u>85,996</u>
Total Restricted Cash	<u>85,996</u>	<u>-</u>	<u>85,996</u>
Capital assets:			
Capital assets:			
Property, plant and equipment	10,269,911	17,569	10,287,480
Less: accumulated depreciation	<u>(4,794,254)</u>	<u>(1,402)</u>	<u>(4,795,656)</u>
Total Capital Assets	<u>5,475,657</u>	<u>16,167</u>	<u>5,491,824</u>
Other noncurrent assets:			
Net pension asset	<u>7,242</u>	<u>308</u>	<u>7,550</u>
Total Other Noncurrent Assets	<u>7,242</u>	<u>308</u>	<u>7,550</u>
TOTAL ASSETS	<u>5,774,884</u>	<u>112,041</u>	<u>5,886,925</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>36,162</u>	<u>1,537</u>	<u>37,699</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>36,162</u>	<u>1,537</u>	<u>37,699</u>
LIABILITIES			
Current liabilities:			
Accounts payable	107,222	1,835	109,057
Due to other funds	23,558		23,558
Customer deposits	103,085		103,085
Accrued interest payable	585,437	600	586,037
Compensated absences	28,215	58	28,273
Notes payable - current	32,574	25,049	57,623
Certificates of obligation - current	<u>368,950</u>		<u>368,950</u>
Total Current Liabilities	<u>1,249,041</u>	<u>27,542</u>	<u>1,276,583</u>
Noncurrent liabilities:			
Net OPEB liability	20,265	862	21,127
Notes payable	440,941	174,060	615,001
Certificates of obligation	<u>3,242,500</u>		<u>3,242,500</u>
Total Noncurrent Liabilities	<u>3,703,706</u>	<u>174,922</u>	<u>3,878,628</u>
TOTAL LIABILITIES	<u>4,952,747</u>	<u>202,464</u>	<u>5,155,211</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	16,600	706	17,306
Deferred inflows of resources related to OPEB	<u>1,788</u>	<u>76</u>	<u>1,864</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>18,388</u>	<u>782</u>	<u>19,170</u>
NET POSITION			
Net investment in capital assets	1,390,692	16,167	1,406,859
Restricted	85,996		85,996
Unrestricted	<u>(636,777)</u>	<u>(105,835)</u>	<u>(742,612)</u>
TOTAL NET POSITION	<u>\$ 839,911</u>	<u>\$ (89,668)</u>	<u>\$ 750,243</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	Water Fund	Garbage Fund	Business-type Activities Enterprise Funds
	<u>Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES			
Service revenue	\$ 1,400,053	\$ 427,628	\$ 1,827,681
Capital projects revenue	146,788		146,788
Miscellaneous	13,840	25,137	38,977
	<u>1,560,681</u>	<u>452,765</u>	<u>2,013,446</u>
OPERATING EXPENSES			
Depreciation	274,636	1,214	275,850
Sanitation		272,612	272,612
Water supply	259,083		259,083
Repairs and maintenance	94,943		94,943
Payroll and benefits	450,266	18,379	468,645
Utilities and telephone	35,853		35,853
Supplies	191,176		191,176
Insurance	132,352	11,173	143,525
Professional fees	12,000	12,000	24,000
Water testing	94,120		94,120
Dues, licenses, and fees	4,121		4,121
Other	78,551	7,793	86,344
Fuel	33,101		33,101
	<u>1,660,202</u>	<u>323,171</u>	<u>1,983,373</u>
Operating Income (Loss)	<u>(99,521)</u>	<u>129,594</u>	<u>30,073</u>
NON-OPERATING REVENUES			
(EXPENSES)			
Interest income	93		93
Interest expense	(199,150)	(1,421)	(200,571)
Grant income	79,085		79,085
Gain (loss) on sale of assets	(14,637)	1,000	(13,637)
Transfers in (out)	90,102	(74,648)	15,454
	<u>(44,507)</u>	<u>(75,069)</u>	<u>(119,576)</u>
Total Non-Operating Revenues (Expenses)	<u>(44,507)</u>	<u>(75,069)</u>	<u>(119,576)</u>
Change in Net Position	<u>(144,028)</u>	<u>54,525</u>	<u>(89,503)</u>
Net Position - Beginning (as originally stated)	<u>1,004,823</u>	<u>(143,304)</u>	<u>1,570,517</u>
Prior period adjustment (see note 12)	(20,884)	(889)	(21,773)
Net Position - Beginning (as restated)	<u>983,939</u>	<u>(144,193)</u>	<u>839,746</u>
Net Position - Ending	<u>\$ 839,911</u>	<u>\$ (89,668)</u>	<u>\$ 750,243</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANSON, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Business-type Activities</u> <u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,549,534	\$ 448,743	\$ 1,998,277
Cash paid to employees	(450,266)	(18,379)	(468,645)
Cash paid to suppliers	(820,747)	(302,926)	(1,123,673)
Net Cash Provided by Operating Activities	<u>278,521</u>	<u>127,438</u>	<u>405,959</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds on notes payable	77,525		77,525
Miscellaneous receipts	93		93
Interest paid	(80,829)	(10,388)	(91,217)
Transfers in (out)	90,102	(74,648)	15,454
Net Cash Provided by (Used in) Noncapital and Related Financing Activities	<u>86,891</u>	<u>(85,036)</u>	<u>1,855</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(399,038)	(13,040)	(412,078)
Proceeds from sale of fixed assets	36,499		36,499
Payments on notes payable	(25,562)	(25,611)	(51,173)
Payments on certificates of obligation	(27,300)		(27,300)
Net Cash Used in Capital and Related Financing Activities	<u>(415,401)</u>	<u>(38,651)</u>	<u>(454,052)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(49,989)</u>	<u>3,751</u>	<u>(46,238)</u>
Cash and Cash Equivalents at Beginning of Year	<u>150,261</u>	<u>52,503</u>	<u>202,764</u>
Cash and Cash Equivalents at End of Year	<u>\$ 100,272</u>	<u>\$ 56,254</u>	<u>\$ 156,526</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (99,521)	\$ 129,594	\$ 30,073
Adjustments Not Affecting Cash:			
Increase in accounts receivable	(11,147)	(4,022)	(15,169)
Increase in deferred outflows related to pension	(25,451)	(1,299)	(26,750)
Decrease in net pension asset	47,576	911	48,487
Increase in accounts payable	96,188	98	96,286
Increase in other liabilities	90,404	1,058	91,462
Decrease in OPEB liability	(619)	(27)	(646)
Decrease in deferred inflows related to pensions	(22,543)	(165)	(22,708)
Increase in deferred inflows related to OPEB	1,788	76	1,864
Release of restricted assets	(72,790)		(72,790)
Depreciation	274,636	1,214	275,850
Net Cash Provided by Operating Activities	<u>\$ 278,521</u>	<u>\$ 127,438</u>	<u>\$ 405,959</u>

The accompanying notes are an integral part of the financial statements.

Note 1: Reporting Entity

The City of Anson (City) was incorporated on January 3, 1901 and is governed by an elected mayor and five member council. The City operates under a city manager form of government and provides the following functions: general government, health and welfare, judicial and legal, public safety (police and fire departments), culture and recreation, streets, planning and zoning, and other general and administrative services.

For financial reporting purposes, the City includes all entities for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with Governmental Accounting Standards Board Statement 14. "The Financial Reporting Entity."

Blended Component Units

The Development Corporation of Anson, Inc. (ADC) and the Industrial Development Corporation of Anson, Inc. (IDC) (collectively the Corporations) are both nonprofit corporations whose primary purpose and objectives are to further economic development and social welfare in the City of Anson by promoting and assisting the economic growth and development of this geographic region. The principal objectives of the Corporations are to increase the employment opportunities of the unemployed and underemployed through expansion of the business and industry base within the economy by utilizing the 0.125 percent sales tax levied by the City for that purpose.

Note 2: Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the government. Governmental Activities are those which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Enterprise funds, or proprietary funds, are used to account for business–like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector.

The City operates and reports the following funds:

Governmental:

- The *General Fund* is the City's operating governmental fund. It accounts for all financial resources of the general government.
- The *ADC Fund* accounts for the receipt of sales tax for economic growth and development for the Anson Development Corporation.
- The *IDC Fund* accounts for the receipt of sales tax for economic growth and development for the Industrial Development Corporation.
- The *Opera House Fund* accounts for financial resources related to operations of the Opera House.
- The *Library Fund* accounts for financial resources related to operations of the Library.
- The Volunteer Fire Department accounts for financial resources related to operations of the volunteer fire department.

Proprietary:

- The *Water Fund* accounts for the activities of the water distribution system.
- The *Garbage Fund* accounts for the activities of the refuse collection system.

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 the related cash flows. 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 collected 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 after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and sales taxes are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the **Government Accounting Standards Board**. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and garbage fund are charges to customers for sales and/or services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents and Investments

Cash and cash equivalents reflected in the financial statements includes petty cash and cash in banks.

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. Consistent with GASB Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City are disclosed in Note 3 to the financial statements.

Restricted Assets

Restricted assets consist of cash equivalents and cost approximates market value. These assets are restricted for the purpose of debt service and other costs.

Accounts Receivable

All receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance for uncollectibles is comprised of accounts past due in excess of 180 days. There is no allowance for sales tax receivable.

Property taxes are levied by October 1 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. A lien attaches as of February 1. Delinquent taxes are based on the rates adopted for the year of levy. Allowance for uncollectibles within the General Fund is based upon historical experience in collecting property taxes.

Capital Assets

In the government-wide financial statements, capital assets, which include property, plant, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value on the date donated.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Years
Buildings	40
System infrastructure	25-30
Maintenance equipment	15-30
Vehicles	5-10
Office furniture and equipment	5

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Compensated Absences

The City provides five to twenty days of paid leave each year for full-time employees based on years of service. Unused paid leave is paid upon termination but no more than twenty four hours of leave can be carried over to the next year. Accordingly, the City has recorded a liability in the proprietary fund and the government-wide statement of net position for general government employees. Sick leave is cumulative but non-vesting and therefore is not accrued as a liability.

Equity Classification

In the government-wide and proprietary statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City's restricted net position as of March 31, 2019 totaling \$186,826 relates to cash to be used for debt service, court and police seizure funds.

Unrestricted net position – All other net positions that do not meet the definition of the "restricted" or "net investment in capital assets".

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

In the governmental fund financial statements, equity is classified as fund balance. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority).

Assigned fund balance classification includes amounts intended to be used by the City for specific purposes but does not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications.

As of March 31, 2019, the City reported unassigned, assigned, and restricted fund balance.

Restricted Fund Balance

The City's restricted fund balance as of March 31, 2019, which relates to use of external resources, is comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Debt service	\$ 92,189
Court	8,099
Drug seizure	<u>342</u>
Total Restricted Fund Balance	<u>\$ 100,630</u>

Assigned Fund Balance

The City's management has the authority to assign funds in accordance with various internal programs. The City's assigned fund balance as of March 31, 2019 is comprised of the following:

<u>Assignment</u>	<u>Amount</u>
Streets	\$ 100,727
Education facilities	11,986
Fire department	114,902
Museum	21,164
Opera house	3,908
ADC	91,389
IDC	<u>19,930</u>
Total Assigned Fund Balance	<u>\$ 364,006</u>

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The City considers committed, assigned and unassigned amounts (in that order until fully extinguished) to have been spent when an expenditure is incurred for purposes for which any of those unrestricted fund balance classifications could be used.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net 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 will not be recognized as an outflow of resources (expense / expenditure) until then. The City had deferred outflows of resources related to pensions of \$77,564 as of March 31, 2019.

In addition to liabilities, the statement of net 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 will not be recognized as an inflow of resources (revenue) until that time. The City had deferred inflows of resources related to pensions of \$35,605 and deferred inflows of resources related to OPEB of \$3,804 as of March 31, 2019. The City also had deferred inflows of resources in the governmental funds related to unavailable property tax revenue of \$105,585 as of March 31, 2019.

Use of Estimates

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

Subsequent Events

The City has evaluated subsequent events through December 12, 2019, the day the financial statements were available to be issued.

Recent Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves accounting and reporting by enhancing the consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, which improves accounting and financial reporting by clarifying which liabilities governments should include in their note disclosures related to debt. The requirements of this statement are effective

for financial periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reported period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

Note 3: Deposits and Investments

Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

As of March 31, 2019, the City had cash and cash investments which represent checking accounts, money market accounts, and saving accounts at federally insured local banks. The City is restricted by State statute to invest in certificates of deposit and investments of the United States and the State of Texas.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. On the date of the largest cash balance of the fiscal year, pledged securities were not sufficient to cover the total bank balance of \$1,465,051 of which, \$956,051 was not covered. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

	Bank Balance
<u>Demand Deposit Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	515,150
Total Deposits	<u>\$ 765,150</u>

	Bank Balance
<u>Time and Savings Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	440,901
Total Deposits	<u>\$ 690,901</u>

As of March 31, 2019, pledged securities were not sufficient to cover the bank balances totaling \$1,375,990, of which \$875,990 was exposed to custodial credit risk as follows:

	Bank Balance
<u>Demand Deposit Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	429,232
Total Deposits	<u>\$ 679,232</u>
	Bank Balance
<u>Time and Savings Accounts</u>	
Insured	\$ 250,000
Uninsured and uncollateralized	446,758
Total Deposits	<u>\$ 696,758</u>

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments that are fully insured or collateralized from a bank in the State of Texas and under the term of written depository agreement, obligations of the United States government, its agencies and instrumentalities and government sponsoring enterprises; or Texas Local Government Investment Pools. The City currently has no investments in obligations of the United States government or Texas Local Government Investment Pools.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by keeping its investment portfolio sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The City is not exposed to concentration of credit risk.

At year end, the City's investment balances were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit - FNB	\$ 60,707	1
	<u>\$ 60,707</u>	

The investments of the City are not in compliance with the Council's investment policy and with the Public Funds Investment Act (Government Code Chapter 2256). The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

A summary of the City's investments under the requirements of the fair value hierarchy follows:

Description	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Certificates of Deposit	\$ 60,707	\$ -	\$ -	\$ 60,707
Total	\$ 60,707	\$ -	\$ -	\$ 60,707

Note 4: Accounts Receivable

Receivables in the general fund totaling \$161,065 as of March 31, 2019, consist of property taxes receivable of \$105,585 and sales tax receivable of \$55,480. An allowance for uncollectible property taxes in the amount of \$109,658 has been recorded as of March 31, 2019. All other amounts are considered fully collectible.

Accounts receivable for the water and sewer fund as of March 31, 2019, amounted to \$105,717. An allowance for uncollectible water billings in the amount of \$2,149 has been recorded as of March 31, 2019.

Receivables in the garbage fund totaling \$39,312 as of March 31, 2019, with an allowance for uncollectible garbage billings in the amount of \$598.

Note 5: Capital Assets

Capital asset activity for the year ended March 31, 2019, was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 32,608	\$ -	\$ -	\$ 32,608
Construction in progress		64,907		64,907
Total capital assets not being depreciated	32,608	64,907	-	97,515
Capital assets being depreciated:				
Buildings and improvements	1,705,255	36,005		1,741,260
Machinery and equipment	1,572,966	613,245	(210,532)	1,975,679
Infrastructure	7,554,952			7,554,952
Total capital assets being depreciated	10,833,173	649,250	(210,532)	11,271,891
Less accumulated depreciation for:				
Buildings and improvements	(505,770)	(40,387)		(546,157)
Machinery and equipment	(957,069)	(126,109)	205,720	(877,458)
Infrastructure	(5,230,770)	(166,020)		(5,396,790)
Total accumulated depreciation	(6,693,609)	(332,516)	205,720	(6,820,405)
Governmental activities capital assets, net	\$ 4,172,172	\$ 381,641	\$ (4,812)	\$ 4,549,001

Depreciation was charged to functions as follows:

General government	\$	268,158
Public safety		57,945
Culture and recreation		6,413
	\$	<u>332,516</u>

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 200,944	\$	\$	\$ 200,944
Construction in progress		283,775		283,775
Total capital assets not being depreciated	<u>200,944</u>	<u>283,775</u>	<u>-</u>	<u>484,719</u>
Capital assets being depreciated:				
Buildings and improvements	8,757,173	107,898		8,865,071
Machinery and equipment	998,106	20,405	(80,821)	937,690
Total capital assets being depreciated	<u>9,755,279</u>	<u>128,303</u>	<u>(80,821)</u>	<u>9,802,761</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,025,747)	(204,056)		(4,229,803)
Machinery and equipment	(523,744)	(71,794)	29,685	(565,853)
Total accumulated depreciation	<u>(4,549,491)</u>	<u>(275,850)</u>	<u>29,685</u>	<u>(4,795,656)</u>
Business-type activities capital assets, net	\$ <u>5,406,732</u>	\$ <u>136,228</u>	\$ <u>(51,136)</u>	\$ <u>5,491,824</u>

Depreciation charged to the water and garbage operations was \$275,850.

Note 6: Long-Term Obligations

In the governmental activities long-term obligations at March 31, 2019, are summarized as follows:

Certificates of Obligation

United States of America general obligation refunding bond (2006 Series) of \$210,000 dated June 8, 2006, payable in annual principal and interest payments due February 15, and the additional interest payments due August 15, with interest rate of 9.50%, final payment due February 15, 2026.	\$	114,000
First National Bank of Anson general obligation refunding bonds (2017B Series) issued to refund existing debt of \$795,000 of which, \$278,250 relates to governmental activities, dated November 1, 2017, payable in annual principal and interest payments due November 15, and the additional interest payments due November 15, with interest rate of 3.25%, final payment due November 15, 2032.		263,550
Texas Combination Tax and Revenue Certificates of Obligation (2017A Series) of \$774,000 issued to pay contractual obligations to be incurred to repair and resurface roads dated June 1, 2017, payable in annual principal and interest payments due June 15, and the additional interest payments due December 15, with interest rate of 2.26%, final payment due June 1, 2027.		<u>704,000</u>
Total certificates of obligation	\$	<u>1,081,550</u>

Notes Payable

Government Capital Corporation Note (2018) of \$83,266 issued January 29, 2018 for police vehicles, payable in annual principal and interest payments due February 9, with interest rate of 3.85%, final payment due February 9, 2023. \$ 69,397

Total notes payable \$ 69,397

Capital Lease Payable

John Deere Financial (2018) of \$285,009 issued August 20, 2018 for a motor grader and backhoe, payable in annual principal and interest payments due August 21, with interest rate of 3%, final payment due August 21, 2023. \$ 285,009

Total notes payable \$ 285,009

Long-Term Obligation Activity

A summary of long-term liability activity for the year ended March 31, 2019, are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificates of obligation (2006)	\$ 125,000	\$	\$ (11,000)	\$ 114,000	\$ 12,000
Certificates of obligation (2017A)	774,000		(70,000)	704,000	71,500
Certificates of obligation (2017B)	278,250		(14,700)	263,550	15,050
Capital lease	-	285,009		285,009	25,409
Vehicle loan	85,541		(16,144)	69,397	16,613
IRS note	164,000		(164,000)	-	-
Net OPEB liability	-	21,990		21,990	-
Compensated absences	17,862		(8,750)	9,112	-
Total	\$ <u>1,444,653</u>	\$ <u>306,999</u>	\$ <u>(284,594)</u>	\$ <u>1,467,058</u>	\$ <u>140,572</u>

The City had one note payable for business improvements within the city that was paid off during the year ended March 31, 2019, with principal payments totaling \$164,000 and interest totaling \$4,327.

On June 8, 2006, the City issued general obligation bonds (Series 2006) for \$210,000 for the refunding of City debt. The certificates of obligation are to be repaid over twenty years with a coupon rate of 9.50%. Principal payments are due annually on February 15 and interest payments are due semi-annually on February 15 and August 15.

Maturities of the 2006 series certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 12,000	\$ 10,830	\$ 22,830
2021	13,000	9,690	22,690
2022	15,000	8,455	23,455
2023	16,000	7,030	23,030
2024	18,000	5,510	23,510
2025	19,000	3,800	22,800
2026	21,000	1,995	22,995
	<u>\$ 114,000</u>	<u>\$ 47,310</u>	<u>\$ 161,310</u>

On June 1, 2017, the City received financial assistance from Government Capital Securities Corporation consisting of Texas Combination Tax and Revenue Certificates of Obligation (Series 2017A), in the amount of \$774,000. These funds were issued to pay for any part of the contractual obligations incurred to repair and resurface roads within the City.

Maturities of the 2017A series certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 71,500	\$ 15,102	\$ 86,602
2021	73,000	13,470	86,470
2022	74,500	11,803	86,303
2023	76,500	10,097	86,597
2024	78,000	8,351	86,351
2025	80,000	6,565	86,565
2026	81,500	4,740	86,240
2027	83,500	2,876	86,376
2028	85,500	966	86,466
	<u>\$ 704,000</u>	<u>\$ 73,970</u>	<u>\$ 777,970</u>

On November 1, 2017, the City issued general obligation refunding bonds (Series 2017B) in the amount of \$795,000 where 35% is the responsibility of the General Fund and 65% Water & Sewer. The proceeds for the General Fund totaled \$278,250 and were used to refund remaining Certificates of Obligation (2012 Series). The certificates of obligation are to be repaid over fifteen years with a coupon rate of 3.25%.

Maturities of the 2017B series certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 15,050	\$ 8,565	\$ 23,615
2021	15,400	8,076	23,476
2022	16,100	7,576	23,676
2023	16,800	7,053	23,853
2024	17,150	6,507	23,657
2025	17,850	5,949	23,799
2026	18,200	5,369	23,569
2027	18,900	4,777	23,677
2028	19,600	4,163	23,763
2029	20,300	3,526	23,826
2030	21,000	2,867	23,867
2031	21,700	2,184	23,884
2032	22,400	1,479	23,879
2033	23,100	751	23,851
	<u>\$ 263,550</u>	<u>\$ 68,842</u>	<u>\$ 332,392</u>

On August 20, 2018, the City entered into a capital lease agreement with Deere Credit, Inc. Anson for John Deere motor grader and backhoe.

Maturities of the 2018 capital lease are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 25,409	\$ 8,669	\$ 34,078
2021	26,181	7,896	34,077
2022	26,978	7,100	34,078
2023	27,798	6,279	34,077
2024	178,643	5,433	184,076
	<u>\$ 285,009</u>	<u>\$ 35,377</u>	<u>\$ 320,386</u>

The City entered into a note payable agreement with First National Bank of Anson on February 27, 2018, for the purchase of two police vehicles in the amount of \$85,541.

Maturities of the 2017 vehicle note are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 16,613	\$ 2,012	\$ 18,625
2021	17,094	1,531	18,625
2022	17,590	1,035	18,625
2023	18,100	525	18,625
	<u>\$ 69,397</u>	<u>\$ 5,103</u>	<u>\$ 74,500</u>

Compensated absences in the governmental funds decreased from \$17,862 to \$9,112 during the year ended March 31, 2019.

The following is a schedule of maturities of certificates of obligation, capital lease, and notes payable by year and in aggregate:

<u>Year Ending March 31,</u>	
2020	\$ 140,571
2021	144,675
2022	150,168
2023	155,198
2024+	<u>845,344</u>
	<u>\$ 1,435,956</u>

In the business-type activities long-term obligations at March 31, 2019, are summarized as follows:

Certificates of Obligation

United States Department of Agriculture revenue bond (2009A Series) of \$2,500,000 dated October 1, 2009, payable in annual principal and interest payments due January 1, and the additional interest payments due June 1, with interest rate of 4.375%, final payment due January 1, 2048. \$ 2,394,000

United States Department of Agriculture revenue bond (2009B Series) of \$750,000 dated October 1, 2009, payable in annual principal and interest payments due January 1, and the additional interest payments due June 1, with interest rate of 2.625%, final payment due January 1, 2050. 728,000

First National Bank of Anson general obligation refunding bonds (2017B Series) issued to refund existing debt of \$795,000 of which, \$516,750 relates to business-type activities, dated November 1, 2017, payable in annual principal and interest payments due November 15, and the additional interest payments due November 15, with interest rate of 3.25%, final payment due November 15, 2032. 489,450

Total certificates of obligation \$ 3,611,450

Notes Payable

Prosperity Bank note of \$470,000 dated March 23, 2015 for water meters and heavy equipment payable in annual installments due April 1, with interest rate of 3.87% with maturity on April 1, 2030. \$ 395,990

First National Bank of Anson note payable for \$362,565 to acquire landfill equipment payable in annual installments due February 24, with interest rate of 5.5%, maturing on February 24, 2026. 199,109

First National Bank of Anson note payable dated January 30, 2019 for \$77,525 to acquire a generator payable in annual installments due January 30, with interest rate of 5.5%, maturing on January 30, 2029. 77,525

Total notes payable \$ 672,624

Long-Term Obligation Activity

A summary of long-term liability activity for the year ended March 31, 2019, are as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Certificates of obligation (2009A)	\$ 2,394,000	\$	\$	\$ 2,394,000	\$ 236,000
Certificates of obligation (2009B)	728,000			728,000	105,000
Certificates of obligation (2017B)	516,750		(27,300)	489,450	27,950
Notes Payable – Meters/Equipment	421,552		(25,562)	395,990	26,551
Note Payable – Generator Loan	-	77,525		77,525	6,023
Note Payable – Garbage Loan	224,720		(25,611)	199,109	25,049
Net OPEB liability	-	21,127		21,127	-
Compensated absences	21,096	7,177		28,273	-
Total	\$ <u>4,306,118</u>	\$ <u>105,829</u>	\$ <u>(78,473)</u>	\$ <u>4,333,474</u>	\$ <u>426,573</u>

On December 15, 2009 the City received financial assistance from the USDA in the amount of \$2,500,000 (Series A) and \$750,000 (Series B) Revenue Bonds. These funds were for the improvement of the waterworks and sewer system.

The certificates of obligation are to be repaid over forty years with a coupon rate of 4.375% and 2.625%, respectively. Principal payments are due annually on January 1 and interest payments are due semi-annually on January 1 and June 1.

Maturities of the 2009A series certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 236,000	\$ 437,250	\$ 673,250
2021	40,000	94,413	134,413
2022	42,000	92,662	134,662
2023	44,000	90,825	134,825
2024	46,000	88,900	134,900
2025	48,000	86,888	134,888
2026	50,000	84,787	134,787
2027	52,000	82,600	134,600
2028	54,000	80,325	134,325
2029	57,000	77,963	134,963
2030	59,000	75,469	134,469
2031	62,000	72,887	134,887
2032	65,000	70,175	135,175
2033	68,000	67,331	135,331
2034	71,000	64,356	135,356
2035	74,000	61,250	135,250
2036	77,000	58,013	135,013
2037	81,000	54,644	135,644
2038	85,000	51,100	136,100
2039	88,000	47,381	135,381
2040	92,000	43,531	135,531
2041	96,000	39,506	135,506
2042	101,000	35,306	136,306
2043	105,000	30,888	135,888
2044	110,000	26,294	136,294
2045	115,000	21,481	136,481
2046	120,000	16,450	136,450
2047	125,000	11,200	136,200
2048	131,000	5,731	136,731
	<u>\$ 2,394,000</u>	<u>\$ 2,069,606</u>	<u>\$ 4,463,606</u>

Maturities of the 2009B series certificates of obligation are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 105,000	\$ 118,231	\$ 223,231
2021	15,000	16,354	31,354
2022	15,000	15,960	30,960
2023	15,000	15,566	30,566
2024	16,000	15,173	31,173
2025	16,000	14,752	30,752
2026	17,000	14,332	31,332
2027	17,000	13,886	30,886
2028	18,000	13,440	31,440
2029	18,000	12,967	30,967
2030	18,000	12,495	30,495
2031	19,000	12,022	31,022
2032	19,000	11,524	30,524
2033	20,000	11,025	31,025
2034	21,000	10,500	31,500

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2035	21,000	9,949	30,949
2036	22,000	9,397	31,397
2037	22,000	8,820	30,820
2038	23,000	8,243	31,243
2039	23,000	7,639	30,639
2040	24,000	7,035	31,035
2041	24,000	6,405	30,405
2042	25,000	5,775	30,775
2043	26,000	5,119	31,119
2044	26,000	4,436	30,436
2045	27,000	3,754	30,754
2046	28,000	3,045	31,045
2047	29,000	2,310	31,310
2048	29,000	1,549	30,549
2049	30,000	788	30,788
	<u>\$ 728,000</u>	<u>\$ 392,491</u>	<u>\$ 1,120,491</u>

On November 1, 2017, the City issued general obligation refunding bonds (Series 2017B) in the amount of \$795,000 where 35% is the responsibility of the General Fund and 65% Water & Sewer. The proceeds for the General Fund totaled \$516,750 and were used to refund remaining Certificates of Obligation (2012 Series). The certificates of obligation are to be repaid over fifteen years with a coupon rate of 3.25%.

Maturities of the 2017B series certificates of obligation related to Water & Sewer are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 27,950	\$ 15,907	\$ 43,857
2021	28,600	14,999	43,599
2022	29,900	14,069	43,969
2023	31,200	13,098	44,298
2024	31,850	12,083	43,933
2025	33,150	11,048	44,198
2026	33,800	9,971	43,771
2027	35,100	8,873	43,973
2028	36,400	7,732	44,132
2029	37,700	6,549	44,249
2030	39,000	5,324	44,324
2031	40,300	4,056	44,356
2032	41,600	2,746	44,346
2033	42,900	1,394	44,294
	<u>\$ 489,450</u>	<u>\$ 127,849</u>	<u>\$ 617,299</u>

In April 2015, the City borrowed \$470,000 from Prosperity Bank Athens to acquire water meters, backhoe, and a tool cat. The note is to be repaid over fifteen years with a coupon rate of 3.87%. Principal and interest payments are due annually on April 1.

Maturities of the Prosperity note payable are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 26,551	\$ 15,325	\$ 41,876
2021	27,579	14,297	41,876
2022	28,646	13,230	41,876
2023	29,755	12,121	41,876
2024	30,906	10,970	41,876
2025	32,102	9,774	41,876
2026	33,344	8,532	41,876
2027	34,635	7,241	41,876
2028	35,975	5,901	41,876
2029	37,367	4,508	41,875
2030	38,814	3,062	41,876
2031	40,316	1,560	41,876
	<u>\$ 395,990</u>	<u>\$ 106,521</u>	<u>\$ 502,511</u>

In January 2019, the City borrowed \$77,525 from First National Bank of Anson. These funds were for the acquisition of a generator. The note was to be paid back annually on January 30 over ten years with a coupon rate of 5.5, maturing January 30, 2029.

Maturities of the note payable are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 6,023	\$ 4,264	\$ 10,287
2021	6,344	3,943	10,287
2022	6,703	3,584	10,287
2023	7,072	3,215	10,287
2024	7,461	2,826	10,287
2025	7,865	2,422	10,287
2026	8,304	1,983	10,287
2027	8,761	1,526	10,287
2028	9,243	1,044	10,287
2029	9,749	538	10,287
	<u>\$ 77,525</u>	<u>\$ 25,345</u>	<u>\$ 102,870</u>

In February 2012, the City borrowed \$382,565 from First National Bank of Anson. These funds were for the acquisition of a landfill permit. The note was to be paid back annually on February 24 over fourteen years with a coupon rate of 5.5, maturing February 24, 2026.

Maturities of the garbage note payable are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total Requirement
2020	\$ 25,049	\$ 10,951	\$ 36,000
2021	26,427	9,573	36,000
2022	27,880	8,120	36,000
2023	29,414	6,586	36,000
2024	31,031	4,969	36,000
2025	32,738	3,262	36,000
2026	26,570	1,461	28,031
	<u>\$ 199,109</u>	<u>\$ 44,922</u>	<u>\$ 244,031</u>

Compensated absences in the business-type activities increased from \$21,096 to \$28,273 during the year ended March 31, 2019.

The following is a schedule of maturities of certificates of obligation and notes payable by year and in aggregate:

Year Ending March 31,	
2020	\$ 426,573
2021	143,949
2022	150,130
2023	156,440
2024+	<u>3,406,982</u>
	<u>\$ 4,284,074</u>

Note 7: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides that TMLIRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level or reinsurance. The City continues to carry commercial insurance of other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and any settled claims have not exceeded coverage in any of the past three fiscal years.

Note 8: Interfund Transfers

The composition of interfund balances as of March 31, 2019, are as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Proprietary fund	\$ 23,558
ADC	General Fund	3,963
IDC	General Fund	<u>3,963</u>
		<u>\$ 31,484</u>

The above balances reflect temporary cash advances.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General fund	Water fund	\$ 275,281
General fund	VFD fund	47,291
General fund	Opera house fund	15,762
General fund	Museum fund	9,481
Water fund	General fund	192,288
Water fund	VFD fund	10,700
Garbage fund	General fund	56,839
Garbage fund	Water fund	17,809
IDC fund	General fund	4,900
ADC fund	General fund	<u>100</u>
		<u>\$ 630,451</u>

Note 9: Tax Abatements

The City of Anson negotiates property tax abatement agreements with local businesses on an individual basis. All agreements are negotiated under state law (Chapter 312 of the Texas Tax Code, "Property Redevelopment and Tax Abatement Act"), which allows the City to abate property taxes to any business located inside the City of Anson to promote the development/redevelopment of certain contiguous geographic areas within its jurisdiction. The City of Anson may grant abatements of up to 100 percent of annual property tax values. The City of Anson has one maintenance and operation tax abatement agreement as follows:

- Mark & Twila Haechten, Haechten Crop Insurance, 90% of taxes abated over 10 years, reduced to 80% on year 2, 70% on year 3, 60% on year 4, 50% on year 5, 40% on year 6, 30% on year 7, 20% on year 8, 10% on year 9 and 0% on year 10, beginning January 2016 and ending January 2025. The abatement amounted to \$1,000 of reduced taxes for fiscal year 2019. The City of Anson received \$312 in 2019 in consideration for the tax abatement agreement. The purpose of the abatement is for the construction and employment of a crop insurance sales and service facility.

- Gary & Erica Jones, 90% of taxes abated over 10 years, reduced to 80% on year 2, 70% on year 3, 60% on year 4, 50% on year 5, 40% on year 6, 30% on year 7, 20% on year 8, 10% on year 9 and 0% on year 10, beginning January 2019 and ending January 2028. The abatement amounted to \$1,292 of reduced taxes for fiscal year 2019. The City of Anson received \$353 in 2019 in consideration for the tax abatement agreement. The purpose of the abatement is for new residential facility construction, not including land.

Note 10: Pension Plans

Retirement Pension Plan

Plan Description

The City of Anson participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at ages 60 and above with five or more years of services or with 20 years of service regardless of age. Members are vested after five years of services but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdrew their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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 payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

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

Retirees and beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>25</u>
Total participants	63

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages vary by entity 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 Anson were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.67% in the calendar years 2018 and 2019. The City's contributions to TMRS for the year ended March 31, 2019, were \$12,894, and were equal to the required contributions.

Net Pension Liability (Asset)

Actuarial Assumptions

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

Inflation	2.50%	
Overall payroll growth	3.00%	
Investment rate of return	6.75%	This rate represents the assumed return, net of all investment and administrative expenses.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City of Anson, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. 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 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.90%
Real return	10.00%	3.80%
Real estate	10.00%	4.50%
Absolute return	10.00%	3.75%
Private equity	5.00%	7.50%

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the TMRS annual report. 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances as of December 31, 2017	\$ 1,200,081	\$ 1,317,518	\$ (117,437)
Changes for the year:			
Service cost	46,361		46,361
Interest on total pension liability	80,643		80,643
Difference between expected and actual experience	(15,946)		(15,946)
Benefit payments	(57,094)	(57,094)	-
Administrative expenses		(762)	762
Member contributions		38,378	(38,378)
Net investment income		(39,386)	39,386
Employer contributions		10,965	(10,965)
Other		(40)	40
Balances as of December 31, 2018	\$ 1,254,045	\$ 1,269,579	\$ (15,534)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability (asset) would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Total pension liability (asset)	\$ 139,432	\$ (15,534)	\$ (145,199)

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 at www.tmr.com.

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

For the year ended March 31, 2019, the City recognized total pension expense of \$19,382.

As of March 31, 2019, the City reported on the Statement of Net Position deferred outflows of resources related to pensions from the following sources:

Contributions subsequent to measurement date	\$ 12,665
Change of assumptions	3,736
Difference between projected and actual experience	<u>61,163</u>
Total	<u>\$ 77,564</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$12,665 will be recognized as an increase to the net pension asset for the year ending March 31, 2020. Remaining net deferred outflows of resources related to pensions totaling \$64,899 will be recognized in pension expense for the years ending March 31, 2020, 2021, 2022, and 2023 in the amounts of \$20,950, \$9,133, \$9,154, and \$25,662, respectively.

As of March 31, 2019, the City reported on the Statement of Net Position deferred inflows of resources related to pensions from the following sources:

Expected and actual experience	\$ <u>35,605</u>
Total	<u>\$ 35,605</u>

Net deferred inflows of resources related to pensions totaling \$35,605 will be recognized as a reduction of pension expense for the years ending March 31, 2020, 2021, and 2022 in the amounts of \$17,933, \$14,905, and \$2,767, respectively.

Note 11: Other Post-Employment Benefits (OPEB)

Plan Description

The City also participates in the cost sharing single-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 under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City offered SDBF to active employees and retirees in the 2018 and 2019 plan years.

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 postemployment benefit,” or OPEB.

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 employee’s entire careers.

Contributions

The City determines rates based on an actuarially determined rate. The City’s average contribution rate was 5.62% of covered payroll as of the measurement date of December 31, 2018. Employees are not required to contribute to the plan.

Employees covered by benefit terms.

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

Inactive employees currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>25</u>
Total participants	31

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for SDBF benefit.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%

Administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City of Anson, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. 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. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of December 31, 2017	\$ 44,434
Changes for the year:	
Service cost	2,072
Interest on total OPEB liability	1,494
Difference in expected and actual experience	(1,518)
Changes in assumptions	(2,674)
Benefit payments	<u>(691)</u>
Balances as of December 31, 2018	<u>\$ 43,117</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City calculated using the discount rate of 3.71% as well as what the City's net OPEB liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	<u>1% Decrease (2.31%)</u>	<u>Current Rate (3.71%)</u>	<u>1% Increase (4.31%)</u>
Net OPEB liability	\$ 50,251	\$ 43,117	\$ 37,307

OPEB Expense

Contributions subsequent to measurement date	\$ 371
Change in OPEB liability	<u>1,268</u>
Total OPEB expense	<u>\$ 1,639</u>

Deferred (Inflows)/Outflows of Resources

For the year ended March 31, 2019, the City recognized OPEB expense of \$1,639. The City reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred (Inflows) of Resources</u>	<u>Deferred Outflows of Resources</u>
Changes in assumptions and other inputs	\$ (2,287)	\$
Difference in expected and actual experience	(1,298)	
Contributions made subsequent to measurement date	<u>(219)</u>	<u> </u>
Total	<u>\$ (3,804)</u>	<u>\$ -</u>

Deferred inflows of resources related to contributions subsequent to measurement date of (\$219) will be recognized as an increase in the net OPEB liability for the year ending March 31, 2019. Remaining net deferred inflows of resources related to OPEB totaling (\$3,585) will be recognized in OPEB expense for the years ending March 31, 2020, 2021, 2022, 2023, and 2024 in the amounts of (\$456), (\$608), (\$608), (\$608), and (\$1,305), respectively.

Note 12: Prior Period Adjustment

Prior period adjustments were recorded to the Volunteer Fire Department, Opera House, and Museum funds in the amounts of \$78,783, \$2,430, and \$22,695, respectively, to record the funds.

Prior period adjustments were recorded to the Water Fund and Garbage fund to record the beginning OPEB liability for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*, in the amounts of \$20,884 and \$889, respectively.

Note 13: Debt in Default

As described in Note 6, the City of Anson issued Junior Lien Revenue Bonds on December 15, 2009, in the amount of \$2,500,000 (Series A), and \$750,000 (Series B), of which, the total principal balance due is \$2,394,000 and \$728,000, respectively. As of March 31, 2019, the bonds had unpaid interest of \$445,912 and \$120,620, respectively due to the default of the debt in 2010.

The City obtained the debt in order to improve the water system as well as service a state prison that was under construction. The state prison was never opened, leading the City to pay the debt without the excess revenues that were expected. Negotiations with the USDA have been unsuccessful, however, the City has requested a compromise with the assistance of bond counsel and is awaiting a response.

Required Supplementary Information

CITY OF ANSON, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 541,180	\$ 541,180	\$ 1,109,107	\$ -
Resources (Inflows):				
Taxes:				
Property tax	734,500	734,500	879,337	144,837
Sales tax	245,000	245,000	319,537	74,537
Other tax	67,000	67,000	94,436	27,436
Total taxes	<u>1,046,500</u>	<u>1,046,500</u>	<u>1,293,310</u>	<u>246,810</u>
Miscellaneous:				
Charges for services	-	-	17,981	17,981
Fines and fees	168,000	168,000	166,273	(1,727)
Grant proceeds	84,000	84,000	99,114	15,114
Miscellaneous	39,150	39,150	30,227	(8,923)
Total miscellaneous	<u>291,150</u>	<u>291,150</u>	<u>313,595</u>	<u>22,445</u>
Transfers In	<u>60,480</u>	<u>60,480</u>	<u>254,127</u>	<u>193,647</u>
Amounts available for appropriation	<u>1,939,310</u>	<u>1,939,310</u>	<u>2,970,139</u>	<u>462,902</u>
Charges to Appropriations (Outflows):				
General government	438,836	438,836	530,145	(91,309)
Judicial and legal	207,453	207,453	140,885	66,568
Public safety	482,275	482,275	584,011	(101,736)
Streets	184,016	184,016	380,941	(196,925)
Culture and recreation	85,550	85,550	99,092	(13,542)
Transfers Out	<u>-</u>	<u>-</u>	<u>347,815</u>	<u>(347,815)</u>
Total charges to appropriations	<u>1,398,130</u>	<u>1,398,130</u>	<u>2,082,889</u>	<u>(684,759)</u>
Ending Budgetary Fund Balance	\$ <u>541,180</u>	\$ <u>541,180</u>	\$ <u>887,250</u>	\$ <u>(221,857)</u>

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified-accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

CITY OF ANSON, TEXAS
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
 AND RELATED RATIOS - PENSION PLAN
 FOR THE YEAR ENDED MARCH 31, 2019 *

	Measurement Date 12/31/2018	Measurement Date 12/31/2017	Measurement Date 12/31/2016	Measurement Date 12/31/2015	Measurement Date 12/31/2014
Total Pension Liability:					
Service cost	\$ 46,361	\$ 45,203	\$ 48,809	\$ 46,858	\$ 48,256
Interest on total pension liability	80,643	79,654	75,685	71,315	70,961
Change in benefit terms including substantively automatic status			6,050		
Difference between expected and actual experience	(15,946)	(56,217)	(16,745)	(15,287)	(19,127)
Change in assumptions				36,590	
Benefit payments / refunds of contributions	(57,094)	(52,025)	(42,263)	(45,798)	(102,577)
Net change in total pension liability	53,964	16,615	71,536	93,678	(2,487)
Total pension liability, beginning	1,200,081	1,183,466	1,111,930	1,018,252	1,020,739
Total pension liability, ending (a)	1,254,045	1,200,081	1,183,466	1,111,930	1,018,252
Fiduciary Net Position:					
Employer contributions	10,965	10,207	17,066	10,321	23,562
Member contributions	38,378	36,454	43,124	38,345	32,728
Investment income net of investment expenses	(39,386)	161,034	72,533	1,578	56,262
Benefit payments / refunds of contributions	(57,094)	(52,025)	(42,263)	(45,798)	(62,277)
Administrative expenses	(762)	(835)	(819)	(961)	(587)
Other	(40)	(42)	(44)	(47)	(48)
Net change in fiduciary net position	(47,939)	154,793	89,597	3,438	49,640
Fiduciary net position, beginning	1,317,518	1,162,725	1,073,128	1,069,690	983,443
Fiduciary net position, ending (b)	1,269,579	1,317,518	1,162,725	1,073,128	1,033,083
Net pension (asset) liability, ending ((a) - (b))	\$ <u>(15,534)</u>	\$ <u>(117,437)</u>	\$ <u>20,741</u>	\$ <u>38,802</u>	\$ <u>(14,831)</u>
Fiduciary net position as a % of total pension liability	101.24%	109.79%	98.25%	96.51%	101.46%
Pensionable covered payroll	\$ 767,564	\$ 729,079	\$ 798,839	\$ 766,909	\$ 654,559
Net pension liability as a % of covered payroll	-2.02%	-16.11%	2.60%	5.06%	-2.27%

* A full 10-year schedule will be displayed as it becomes available

CITY OF ANSON, TEXAS
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
FOR THE LAST 10 FISCAL YEARS *

Period Ending March 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll**	Actual Contribution as a % of Covered Payroll
2013	\$ 13,813	\$ 13,813	\$ -	\$ 593,433	2.33%
2014	\$ 12,569	\$ 12,569	\$ -	\$ 705,470	1.78%
2015	\$ 13,556	\$ 13,556	\$ -	\$ 730,002	1.86%
2016	\$ 14,814	\$ 14,814	\$ -	\$ 768,413	1.93%
2017	\$ 13,847	\$ 13,847	\$ -	\$ 785,486	1.76%
2018	\$ 12,415	\$ 12,415	\$ -	\$ 743,387	1.67%
2019	\$ 12,894	\$ 12,894	\$ -	\$ 772,099	1.67%

Notes to Schedule of Contributions:

Valuation date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information	There were no benefit changes during the year.

* A full 10-year schedule will be displayed as it becomes available

** Payroll is calculated based on contributions as reported to TMRS

CITY OF ANSON, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS - OPEB PLAN
FOR THE YEAR ENDED MARCH 31, 2019 *

	Measurement Date
	<u>12/31/2018</u>
Total OPEB Liability:	
Service cost	\$ 2,072
Interest on total OPEB liability	1,494
Effect of assumption changes or inputs	(2,674)
Difference in experience	(1,518)
Benefit payments / refunds of contributions	<u>(691)</u>
Net change in total OPEB liability	<u>(1,317)</u>
Total OPEB liability, beginning	<u>44,434</u>
Total OPEB liability, ending	<u>\$ 43,117</u>
Covered payroll	\$ 767,564
Total OPEB liability as a % of covered payroll	5.62%

* A full 10-year schedule will be displayed as it becomes available

CITY OF ANSON, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2019

	<u>Component Unit ADC</u>	<u>Component Unit IDC</u>	<u>Anson Fire</u>	<u>Opera House</u>	<u>Museum</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 87,426	\$ 16,371	\$ 67,517	\$ 3,908	\$ 21,164	\$ 196,386
Certificates of deposit			37,379			37,379
Due from other funds	3,963	3,963				7,926
Prepaid expenses			124			124
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 91,389</u>	<u>\$ 20,334</u>	<u>\$ 105,020</u>	<u>\$ 3,908</u>	<u>\$ 21,164</u>	<u>\$ 241,815</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ _____	\$ 404	\$ _____	\$ _____	\$ _____	\$ 404
Total Liabilities	<u> -</u>	<u> 404</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> 404</u>
FUND BALANCES						
Fund Balances:						
Assigned	<u> 91,389</u>	<u> 19,930</u>	<u> 105,020</u>	<u> 3,908</u>	<u> 21,164</u>	<u> 241,411</u>
Total Fund Balance	<u> 91,389</u>	<u> 19,930</u>	<u> 105,020</u>	<u> 3,908</u>	<u> 21,164</u>	<u> 241,411</u>
Total Liabilities and Fund Balance	<u>\$ 91,389</u>	<u>\$ 20,334</u>	<u>\$ 105,020</u>	<u>\$ 3,908</u>	<u>\$ 21,164</u>	<u>\$ 241,815</u>

CITY OF ANSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	Component Unit ADC	Component Unit IDC	Fire	Opera House	Museum	Total Nonmajor Governmental Funds
REVENUES						
Taxes	\$ 22,824	\$ 22,824	\$	\$	\$	\$ 45,648
Note payments received	800	6,271				7,071
Donation income			45,869			45,869
Grant income			16,041			16,041
Interest	47	1,055	56	2		1,160
Other	112	112		7,960	14,275	22,459
Total Revenues	23,783	30,262	61,966	7,962	14,275	138,248
EXPENDITURES						
Current:						
Culture and recreation				22,246	21,453	43,699
Economic development	18,351	25,425				43,776
Public safety			32,400			32,400
Capital outlay			61,320		3,834	65,154
Debt service						
Interest	4,164	163				4,327
Total Expenditures	22,515	25,588	93,720	22,246	25,287	189,356
Excess (Deficit) Revenues Over Expenditures	1,268	4,674	(31,754)	(14,284)	(11,012)	(51,108)
OTHER FINANCING SOURCES						
Transfers in (out)	(100)	(4,900)	57,991	15,762	9,481	78,234
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing	1,168	(226)	26,237	1,478	(1,531)	27,126
Fund Balance, Beginning of Year	90,221	20,156				110,377
Prior period adjustment (see Note 12)			78,783	2,430	22,695	103,908
Fund Balance, End of Year	\$ 91,389	\$ 19,930	\$ 105,020	\$ 3,908	\$ 21,164	\$ 241,411

Internal Control Section

December 12, 2019

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Honorable Mayor, Members of the City Council
City of Anson, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Anson, Texas (the City), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2019-002 and 2019-003.

The City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cordley and Company, L.L.P.

Certified Public Accountants

CITY OF ANSON, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended March 31, 2019

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

A. Type of Report Issued on the Financial Statements

The Independent Auditors' Report on the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2019, was an unqualified opinion.

B. Material weakness in Internal Control Disclosed by the Audit of the Financial Statements.

The audit of the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2019, disclosed a material weakness in internal control.

C. Noncompliance Material to the Financial Statements

The audit disclosed instances of noncompliance which are material to the financial statements of the City of Anson, Texas as of and for the year ended March 31, 2019.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Material Weakness in Internal Control

2019-01

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely, correctly, and in the proper reporting period, thereby providing accurate financial data.

Condition: Balance sheet accounts for the General, Water & Sewer, Garbage, and other Nonmajor Funds such as cash, accounts receivable, notes receivable, fixed assets, and debt are not maintained and reconciled on a monthly basis.

Effect: Several of the accounts listed above had balances that could not be supported by management which resulted in numerous audit adjustments.

Cause: Management is not reviewing these accounts on a regular basis; therefore corrections are not being made to the appropriate accounts.

Recommendation: At a minimum, we recommend management maintain and reconcile on a monthly basis, the balance sheet accounts for all funds that generate a large number of monthly transactions.

Views of responsible official and planned corrective actions:

Bank reconciliations were conducted on all accounts except in the following areas for the following reasons:

1. Due to issues with e-payments and the way USTI software had been setup to debit/credit some accounts, there were issues with reconciliation on cash deposits. The issues and software have been addressed and all cash deposits are reconciled monthly;

2. Anson Museum, Anson Opera House, and Anson Fire Department Checking had never been audited, so they weren't on the books. Actions have been taken to allow the City access to view the checking accounts so they may be reconciled.

Any issues brought to the attention of the City staff have been addressed and corrective actions have been taken where applicable.

B. Compliance Findings

2019-02

Criteria: In accordance with Texas Government Code Title 10, Subtitle F, Chapter 2257, a deposit of public funds shall be secured by eligible security to the extent and in the manner required by Government Code.

Condition: During the 2018 audit of cash balances, instances of uncollateralized deposits were discovered as stated in Note 3 of the Notes to Financial Statements. Upon inquiry of management and during the confirmation process, it was discovered that the City did not have a depository contract with the bank.

Effect: Public funds are not collateralized due to City funds exceeding FDIC insurance coverage and pledged securities were not available to cover the remaining balance.

Cause: No depository contact is on file with the bank.

Recommendation: We recommend the City maintains a depository contract at a permitted institution in order to sufficiently cover all deposits of public funds.

Views of responsible official and planned corrective actions:

The City is currently in communications with our Banking Facility to find a solution to this problem.

2019-03

Criteria: Compliance with debt agreements is required.

Condition: Per confirmations of debt outstanding, it was noted that the City is in default on two Water and Sewer Junior Lien Revenue Bonds with the United States Department of Agriculture.

Effect: The City has been in negotiations with the USDA regarding the default since 2010, but no agreement has been reached.

Cause: The debt was obtained to improve and extend the water system of the City, which included a new state facility that was under construction. Due to the state facility remaining unopened after completion of the project, the City did not receive anticipated revenues and therefore, went into default on the debt.

Recommendation: We recommend that an agreement with the USDA be reached and the City begin making required payments per the new debt agreement.

Views of responsible official and planned corrective actions:

The City has begun negotiations with the USDA for new 40-year-term ordinances (close prior to January 1, 2020) at an interest rate of 1.75%.