

ANNUAL FINANCIAL REPORT

CITY OF PLAINS, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF PLAINS  
Plains, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2019

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*INTRODUCTORY SECTION*

CITY OF PLAINS  
Plains, Texas

September 30, 2019

CITY COUNCIL

Shane McKinzie

Mayor

Debbie Smith

Mayor Pro-tem

Robert Whitfield

Councilmember

Karen Williams

Councilmember

Elsa Moya

Councilmember

Alfred Martinez

Councilmember

ADMINISTRATIVE STAFF

Steve Vasquez  
Pam Rowe

City Administrator  
City Secretary

*FINANCIAL SECTION*

# Terry & King, CPAs, P.C.

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## Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council  
City of Plains, Texas  
P.O. Box 550  
Plains, Texas 79355

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules, identified as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

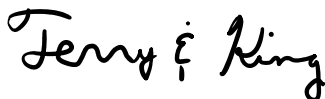
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plains' basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the City of Plains' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Plains' internal control over financial reporting and compliance.

Respectfully submitted,



Terry & King, CPAs, P.C.  
Lubbock, Texas  
December 9, 2019

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Plains’ financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2019. Please read this in conjunction with the City’s financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City’s net position increased as a result of this year’s operations. While the net position of our business-type activities decreased by \$106,998 or 4%, net position of our governmental activities increased by \$274,440 (16%).
- During the year, the City had expenses that were \$59,911 less than the \$593,606 generated in tax and other revenues for governmental programs before transfers.
- In the City’s business type activities, revenues decreased \$190,753 to \$1,057,386 (or 15%). Charges for services increased \$73,630 (7%) and capital grants and contributions decreased \$264,383. Operating expenses decreased \$4,992 to \$949,855.
- The General Fund reported a surplus this year of \$140,729 prior to inter-fund transfers in of \$214,529.
- The resources available for appropriation were \$116,372 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$64,013.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



## **Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and the changes to its position. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

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

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, public works, and parks departments, and general administration. Property taxes, franchise taxes, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, gas, sewer and garbage services are reported here.

## **Reporting the City's Most Significant Funds – Fund Financial Statements**

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. Currently the City's governmental funds consist of the General Fund and a special revenue fund to account for grant funds. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE CITY AS A WHOLE**

The City’s combined net position was \$4,484,911. Our following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$4,484,911 at September 30, 2019. (See Table A-1).

Table A-1  
City of Plains' Net Position

	Governmental Activities			Business-type Activities			Total		
	2019	2018	Percentage Change	2019	2018	Percentage Change	2019	2018	Percentage Change
<b>Current assets:</b>									
Cash in Bank	1,412,968	380,904	271%	-	-	0%	1,412,968	380,904	271%
Temporary Investments	-	687,989	-100%	46,997	45,836	3%	46,997	733,825	-94%
Temporary Investments - Restricted	-	-	0%	60,000	60,000	0%	60,000	60,000	0%
Accounts Receivable-Utilities, net	-	-	0%	82,048	66,490	23%	82,048	66,490	23%
Taxes Receivable, net	3,684	4,487	-18%	-	-	0%	3,684	4,487	-18%
Due from Other Governments	-	-	0%	-	-	0%	-	-	0%
Notes Receivable - current	-	-	0%	12,000	12,000	0%	12,000	12,000	0%
<b>Total current assets:</b>	<b>1,416,652</b>	<b>1,073,380</b>	<b>32%</b>	<b>201,045</b>	<b>184,326</b>	<b>9%</b>	<b>1,617,697</b>	<b>1,257,706</b>	<b>29%</b>
<b>Noncurrent assets:</b>									
Notes Receivable - noncurrent	-	-	0%	133,840	144,840	-8%	133,840	144,840	-8%
Net Pension Asset	-	42,888	-100%	-	96,752	-100%	-	139,640	-100%
Land	15,117	15,117	0%	307,720	307,720	0%	322,837	322,837	0%
Construction in Progress	-	-	0%	136,850	119,350	15%	136,850	119,350	15%
Buildings	775,377	775,377	0%	7,589	7,589	0%	782,966	782,966	0%
Less accumulated depreciation, buildings	(364,340)	(345,374)	5%	(7,554)	(7,544)	0%	(371,894)	(352,918)	5%
Utility Systems	-	-	0%	6,925,039	6,866,144	1%	6,925,039	6,866,144	1%
Less accumulated depreciation, utility systems	-	-	0%	(5,196,490)	(5,036,125)	3%	(5,196,490)	(5,036,125)	3%
Furniture & Equipment	689,456	689,456	0%	376,861	516,882	-27%	1,066,317	1,206,338	-12%
Less accumulated depreciation, furniture & equipment	(602,411)	(550,788)	9%	(333,897)	(453,451)	-26%	(936,308)	(1,004,239)	-7%
<b>Total noncurrent assets</b>	<b>513,199</b>	<b>626,676</b>	<b>-18%</b>	<b>2,349,958</b>	<b>2,562,157</b>	<b>-8%</b>	<b>2,863,157</b>	<b>3,188,833</b>	<b>-10%</b>
<b>Total Assets</b>	<b>1,929,851</b>	<b>1,700,056</b>	<b>14%</b>	<b>2,551,003</b>	<b>2,746,483</b>	<b>-7%</b>	<b>4,480,854</b>	<b>4,446,539</b>	<b>1%</b>
<b>Deferred Outflows of Resources</b>									
Deferred Outflows - Lease Contract	-	-	0%	7,026	9,083	-23%	7,026	9,083	-23%
Deferred Outflows - Pension	35,316	5,432	550%	110,529	47,676	132%	145,845	53,108	175%
Deferred Outflows - OPEB	1,074	478	125%	2,344	1,093	114%	3,418	1,571	118%
<b>Total Deferred Outflows of Resources</b>	<b>36,390</b>	<b>5,910</b>	<b>516%</b>	<b>119,899</b>	<b>57,852</b>	<b>107%</b>	<b>156,289</b>	<b>63,762</b>	<b>145%</b>
<b>Current liabilities:</b>									
Accounts Payable	1,429	12,612	-89%	16,308	19,361	-16%	17,737	31,973	-45%
Unearned Revenues	-	-	#DIV/0!	-	-	0%	-	-	0%
<b>Total current liabilities</b>	<b>1,429</b>	<b>12,612</b>	<b>-89%</b>	<b>16,308</b>	<b>19,361</b>	<b>-16%</b>	<b>17,737</b>	<b>31,973</b>	<b>-45%</b>
<b>Noncurrent liabilities:</b>									
Due to Others	-	-	0%	55,285	52,910	4%	55,285	52,910	4%
Net Pension Liability	14,836	-	100%	26,342	-	100%	41,178	-	100%
Total OPEB Liability	5,307	4,499	18%	12,043	10,319	17%	17,350	14,818	17%
Due within one year	-	-	0%	-	14,098	-100%	-	14,098	-100%
Due in more than one year	-	-	0%	-	-	0%	-	-	0%
<b>Total noncurrent liabilities</b>	<b>20,143</b>	<b>4,499</b>	<b>348%</b>	<b>93,670</b>	<b>77,327</b>	<b>21%</b>	<b>113,813</b>	<b>81,826</b>	<b>39%</b>
<b>Deferred Inflows of Resources</b>									
Deferred Inflows - Pension & OPEB	5,523	24,149	-77%	15,159	54,884	-72%	20,682	79,033	-74%
<b>Total Deferred Inflows of Resources</b>	<b>5,523</b>	<b>24,149</b>	<b>-77%</b>	<b>15,159</b>	<b>54,884</b>	<b>-72%</b>	<b>20,682</b>	<b>79,033</b>	<b>-74%</b>
<b>Net Position:</b>									
Restricted - Collateralized Deposits	-	-	0%	60,000	60,000	0%	60,000	60,000	0%
Net investment in capital assets	513,199	583,788	-12%	2,216,118	2,306,467	-4%	2,729,317	2,890,255	-6%
Unrestricted	1,425,947	1,080,918	32%	269,647	286,296	-6%	1,695,594	1,367,214	24%
<b>Total Net Position</b>	<b>1,939,146</b>	<b>1,664,706</b>	<b>16%</b>	<b>2,545,765</b>	<b>2,652,763</b>	<b>-4%</b>	<b>4,484,911</b>	<b>4,317,469</b>	<b>4%</b>

The net position of the City's governmental activities increased 16% (\$1,939,146 compared to \$1,664,706). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$1,080,918 at September 30, 2018 to \$1,425,947 at the end of this year. The net position of the City's business-type activities decreased 4%, from \$2,652,763 to \$2,545,765.

Table A-2  
Changes in City of Plains' Net Position

	Governmental Activities			Business-type Activities			Total		
	2019	2018	Percentage Change	2019	2018	Percentage Change	2018	2017	Percentage Change
Program Revenues:									
Charges for Services	35,311	26,246	35%	1,057,386	983,756	7%	1,092,697	1,010,002	8%
Grants & Contributions	115,933	129,504	-10%	-	264,383	-100%	115,933	393,887	-71%
General Revenues:									
Property Taxes	152,103	144,365	5%	-	-	0%	152,103	144,365	5%
Nonproperty Taxes	194,374	171,312	13%	-	-	0%	194,374	171,312	13%
Investment Earnings	48,834	19,288	153%	-	-	0%	48,834	19,288	153%
Other	47,051	25,684	83%	-	-	0%	47,051	25,684	83%
Total Revenues	593,606	516,399	15%	1,057,386	1,248,139	-15%	1,650,992	1,764,538	-6%
Expenses:									
General Administration	219,339	198,763	10%	-	-	0%	219,339	198,763	10%
General Service	21,606	14,680	47%	-	-	0%	21,606	14,680	47%
Court and Code Enforcement	2,943	1,206	144%	-	-	0%	2,943	1,206	144%
Streets and Service	22,598	32,142	-30%	-	-	0%	22,598	32,142	-30%
Fire Department	74,431	60,130	24%	-	-	0%	74,431	60,130	24%
Health and Welfare	192,778	187,777	3%	-	-	0%	192,778	187,777	3%
Utilities	-	-	0%	949,855	954,847	-1%	949,855	954,847	-1%
Total Expenses	533,695	494,698	8%	949,855	954,847	-1%	1,483,550	1,449,545	2%
Excess (Deficiency) Before Other Resources, Uses & Transfers	59,911	21,701	176%	107,531	293,292	-63%	167,442	314,993	-47%
Insurance Proceeds	-	-	0%	-	-	0%	-	-	0%
Gain/(Loss) on Asset Sales	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	214,529	47,245	354%	(214,529)	(47,245)	354%	-	-	0%
Increase (Decrease) in Net Position	274,440	68,946	-298%	(106,998)	246,047	-143%	167,442	314,993	-47%
Net Position - Beginning	1,664,706	1,599,477	4%	2,652,763	2,323,242	14%	4,317,469	3,922,719	10%
Prior Period Adjustment	-	(3,717)	-100%	-	83,474	-100%	-	79,757	-100%
Net Position - Ending	1,939,146	1,664,706	16%	2,545,765	2,652,763	-4%	4,484,911	4,317,469	4%

The City's total revenues were \$1,650,992. A significant portion, 64%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (26%), non-property taxes (33%), earnings on investments (8%), charges for services (6%), grants and contributions (20%) and other (7%).

The total cost of all programs and services was \$1,483,550; 64% of these costs were for utilities production and administration expenses. Expenses for governmental activities consisted of costs for general administration (41%), general services (4%), courts and code enforcement (1%), streets and services (4%), fire department (14%), and health and welfare (36%).

### **Governmental Activities**

Revenues for the City's governmental activities increased \$77,207 or 15%, while total expenses increased by 8%.

- Property tax rates decreased from \$0.360456 per \$100 valuation to \$0.350092 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$140,644, compared to \$148,087 for the current year. Total tax collections increased slightly, from \$142,680 in the prior year to \$149,215 in the current year.
- Nonproperty tax revenues increased \$23,062.
- Interest income increased \$29,546.
- Miscellaneous income increased \$21,367.
- The cost of all *governmental* activities this year was \$533,695. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$152,103 because some of the costs were paid by those who directly benefited from the programs (\$35,311) and by nonproperty taxes (\$194,374).

### **Business-type Activities**

Revenues of the City's business-type activities (see table A-2) decrease by 15% (\$1,248,139 to \$1,057,386) and expenses decreased by 1% (\$954,847 to \$949,855).

## THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$1,411,539, which is an increase from the prior year's total of \$1,056,281. The following items effecting fund balance should be noted:

- In the prior year, revenues were more than expenditures by \$95,948 prior to transfers. In the current year, revenues were more than expenditures by \$140,729 prior to transfers. The general fund received \$214,529 as a transfer from the enterprise funds in the current year.
- The revenues in the general fund increased approximately 15% from the prior period and expenses for the general fund decreased approximately 7% from the prior period.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget several times. Even with these adjustments, actual revenues were \$116,372 above budgeted amounts and expenditures were \$64,013 less than final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018, the City had \$9,234,009 invested in a broad range of capital assets, including ambulance and fire equipment, buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net decrease (including additions and deductions) of \$63,627 from last year.

Table A-3  
Fixed Assets

Governmental <u>Activities:</u>	Balance <u>10-1-18</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-19</u>
Land	\$ 15,117	-	-	15,117
Buildings& Improvements	775,377	-	-	775,377
Furniture & Equipment	689,456	-	-	689,456
Accumulated Depreciation	<u>(896,161)</u>	<u>(70,590)</u>	-	<u>(966,751)</u>
Net Capital Assets	<u>\$ 583,789</u>	<u>\$ (70,590)</u>	<u>\$ -</u>	<u>\$ 513,199</u>

Business-Type Activities:	Balance 10-1-18	Additions	Deletions/ Reclassifications	Balance 9-30-19
Land	\$ 307,720	-	-	307,720
Construction in Progress	119,350	17,500	-	136,850
Buildings& Improvements	7,589	-	-	7,589
Vehicles	516,882	-	(140,022)	376,861
Gas System	800,836	-	-	800,836
Sewer System	1,745,625	47,385	-	1,793,010
Water System	4,166,999	11,510	-	4,178,509
Garbage Equipment	152,684	-	-	152,684
Accumulated Depreciation	<u>(5,497,119)</u>	<u>(180,844)</u>	<u>(140,022)</u>	<u>(5,537,941)</u>
Net Capital Assets	<u>\$ 2,320,567</u>	<u>\$(104,449)</u>	<u>\$ -</u>	<u>\$ 2,216,118</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

## Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases. Short-term financing is available in the form of time warrants with a financial institution.

During fiscal year 2014, the City entered into a lease for the purchase of a backhoe. The capital lease is payable with an initial payment of \$30,000 and 5 subsequent annual payments of \$14,500. The capital lease has an effective interest rate of 2.7%.

Business-Type Activities:	Balance 10-1-18	Additions	Decreases	Balance 9-30-19	Due Within One Year
Capital Lease - Backhoe	\$ 14,098	\$ -	\$ 14,098	\$ -	\$ -
Total Capital Leases	<u>\$ 14,098</u>	<u>\$ -</u>	<u>\$ 14,098</u>	<u>\$ -</u>	<u>\$ -</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

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

The City's elected officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2020.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



*BASIC FINANCIAL STATEMENT*

CITY OF PLAINS  
Plains, Texas  
STATEMENT OF NET POSITION  
September 30, 2019

	Primary Government			Component Unit	Total Reporting Entity
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS:</b>					
Cash in Bank	\$ 1,412,968	\$ -	\$ 1,412,968	\$ 378,987	\$ 1,791,955
Investments	-	46,997	46,997	221,771	268,768
Temporary Investments - Restricted	-	60,000	60,000	-	60,000
Accounts Receivable-Utilities, net	-	82,048	82,048	-	82,048
Taxes Receivable, Net	3,684	-	3,684	-	3,684
Due from Other Governments	-	-	-	-	-
Notes Receivable - current	-	12,000	12,000	3,000	15,000
<b>Noncurrent Assets:</b>					
Notes Receivable - noncurrent	-	133,840	133,840	24,250	158,090
Net Pension Asset	-	-	-	-	-
Land	15,117	307,720	322,837	-	322,837
Construction in Progress	-	136,850	136,850	-	136,850
Buildings & Improvements, net	411,037	35	411,072	-	411,072
Utility Systems & Equipment, net	-	1,728,550	1,728,550	-	1,728,550
Furniture & Equipment, net	87,045	42,963	130,008	-	130,008
<b>TOTAL ASSETS</b>	<b>\$ 1,929,851</b>	<b>\$ 2,551,003</b>	<b>\$ 4,480,854</b>	<b>\$ 628,008</b>	<b>\$ 5,108,862</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred Outflows - Lease Contract	\$ -	\$ 7,026	\$ 7,026	\$ -	\$ 7,026
Deferred Outflows - Pension	35,316	110,529	145,845	-	145,845
Deferred Outflows - OPEB	1,074	2,344	3,418	-	3,418
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 36,390</b>	<b>\$ 119,899</b>	<b>\$ 156,289</b>	<b>\$ -</b>	<b>\$ 156,289</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 1,429	\$ 16,308	\$ 17,737	\$ -	\$ 17,737
<b>Noncurrent Liabilities:</b>					
Due to Others	-	55,285	55,285	-	55,285
Net Pension Liability	14,836	26,342	41,178	-	41,178
Net OPEB Liability	5,307	12,043	17,350	-	17,350
Due within one year	-	-	-	12,000	12,000
Due in more than one year	-	-	-	133,840	133,840
<b>Total Liabilities</b>	<b>21,572</b>	<b>109,978</b>	<b>131,550</b>	<b>145,840</b>	<b>277,390</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred Inflows - Pension	5,162	14,391	19,553	-	19,553
Deferred Inflows - OPEB	361	768	1,129	-	1,129
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 5,523</b>	<b>\$ 15,159</b>	<b>\$ 20,682</b>	<b>\$ -</b>	<b>\$ 20,682</b>
<b>NET POSITION</b>					
Restricted - Collateralized Deposits	-	60,000	60,000	-	60,000
Net Investment in capital assets	513,199	2,216,118	2,729,317	-	2,729,317
Unrestricted	1,425,947	269,647	1,695,594	482,168	2,177,762
<b>Total Net Position</b>	<b>\$ 1,939,146</b>	<b>\$ 2,545,765</b>	<b>\$ 4,484,911</b>	<b>\$ 482,168</b>	<b>\$ 4,967,079</b>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

STATEMENT OF ACTIVITIES  
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	Total Reporting Entity
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
<b>Government Activities:</b>									
General Administration	219,339	\$ -	\$ -	\$ -	\$ (219,339)	-	(219,339)	-	(219,339)
General Service	21,606	-	-	-	(21,606)	-	(21,606)	-	(21,606)
Court and Code Enforcement	2,943	-	-	-	(2,943)	-	(2,943)	-	(2,943)
Streets and Service	22,598	-	-	-	(22,598)	-	(22,598)	-	(22,598)
Fire Department	74,431	-	4,192	-	(70,239)	-	(70,239)	-	(70,239)
Health and Welfare	192,778	35,311	111,741	-	(45,726)	-	(45,726)	-	(45,726)
<b>Total Government Activities</b>	<b>533,695</b>	<b>35,311</b>	<b>115,933</b>	<b>-</b>	<b>(382,451)</b>	<b>-</b>	<b>(382,451)</b>	<b>-</b>	<b>(382,451)</b>
<b>Business-type Activities</b>									
Utilities Funds	949,855	1,057,386	-	-	-	107,531	107,531	-	107,531
<b>Total Primary Government</b>	<b>1,483,550</b>	<b>1,092,697</b>	<b>115,933</b>	<b>-</b>	<b>(382,451)</b>	<b>107,531</b>	<b>(274,920)</b>	<b>-</b>	<b>(274,920)</b>
<b>Component Unit:</b>									
Economic Development Corporation	\$ 3,499	\$ -	\$ -	\$ -				\$ (3,499)	\$ (3,499)
<b>General Revenues:</b>									
Property Taxes, Levied for General Purpose:					152,103	-	152,103	-	152,103
Nonproperty Taxes					194,374	-	194,374	85,203	279,577
Investment Earnings					48,834	-	48,834	8,739	57,573
Miscellaneous					47,051	-	47,051	-	47,051
Gain on Sale of Assets					-	-	-	1,069	1,069
Net decrease in fair value of investments:					-	-	-	(406)	(406)
Transfers					214,529	(214,529)	-	-	-
<b>Total General Revenue</b>					<b>656,891</b>	<b>(214,529)</b>	<b>442,362</b>	<b>94,605</b>	<b>536,967</b>
Change in Net Assets					274,440	(106,998)	167,442	91,106	258,548
Net Position -- Beginning					1,664,706	2,652,763	4,317,469	391,062	4,708,531
Net Position -- Ending					<b>\$ 1,939,146</b>	<b>\$ 2,545,765</b>	<b>\$ 4,484,911</b>	<b>\$ 482,168</b>	<b>\$ 4,967,079</b>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS  
September 30, 2019

	General Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 1,412,968	\$ 1,412,968
Time Deposits & Savings	-	-
Taxes Receivable, net	3,684	3,684
Due from Other Governments	<u>-</u>	<u>-</u>
<u><b>TOTAL ASSETS</b></u>	<u><u>\$ 1,416,652</u></u>	<u><u>\$ 1,416,652</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 1,429	\$ 1,429
<u>Total Liabilities</u>	<u>1,429</u>	<u>1,429</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	<u>3,684</u>	<u>3,684</u>
<u>Total Deferred Inflows of Resources</u>	<u>3,684</u>	<u>3,684</u>
FUND BALANCES		
Fund Balance-Unassigned	<u>1,411,539</u>	<u>1,411,539</u>
<u>Total Fund Balances</u>	<u>1,411,539</u>	<u>1,411,539</u>
<u><b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b></u>	<u><u>\$ 1,416,652</u></u>	<u><u>\$ 1,416,652</u></u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2019

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 1,411,539
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	3,684
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	513,199
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$14,836, a deferred resource outflow related to pension in the amount of \$35,316, and a deferred resource inflow of \$5,162. This resulted in an increase in net position by \$15,318.	15,318
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$5,307, a deferred resource outflow related to OPEB in the amount of \$1,074, and a deferred resource inflow of \$361. This resulted in a decrease in net position of \$4,594	<u>(4,594)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 1,939,146</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General Fund	Total Governmental Funds
REVENUES:		
Property Taxes (Including Penalty & Interest)	\$ 152,907	\$ 152,907
Sales Taxes	170,193	170,193
Franchise Taxes	24,181	24,181
Interest	48,834	48,834
Intergovernmental	106,975	106,975
Donations	8,957	8,957
Ambulance	35,311	35,311
Miscellaneous	47,050	47,050
<u>Total Revenues</u>	594,408	594,408
EXPENDITURES		
Current		
General Administration	202,807	202,807
General Service	16,390	16,390
Court and Code Enforcement	2,943	2,943
Streets and Service	17,381	17,381
Fire Department	54,182	54,182
Health and Welfare	159,976	159,976
Capital Outlay	-	-
<u>Total Expenditures</u>	453,679	453,679
Excess of Revenues Over (Under) Expenditures	140,729	140,729
OTHER FINANCING SOURCES (USES)		
Transfers In	214,529	214,529
<u>Total Other Financing Sources (Uses)</u>	214,529	214,529
Net Change in Fund Balance	355,258	355,258
Fund Balance--Beginning of Year	1,056,281	1,056,281
<u>Fund Balance--End of Year</u>	\$ 1,411,539	\$ 1,411,539

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2019

Net Change in Fund Balances -- Total Governmental Funds \$ 355,258

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets (70,589)

Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period. (803)

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$8,548. Contributions made before the measurement date and during the 2019 fiscal year were also expended in the 2018 fiscal year and recorded as an increase in net pension expense for the City. This caused a decrease in the change in net position totaling \$6,553. The City's proportionate share of the TMRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position \$5,236. The result of these amounts is to decrease the change in net position by \$8,853. (8,853)

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$173. Contributions made before the measurement date and during the 2018 fiscal year were also expended in the 2017 fiscal year and recorded as an increase in net OPEB expense for the City. This caused no change in the change in net position. The City's proportionate share of the OPEB expense on the plan as a whole had to be recorded as an expense. The net OPEB expense decreased the change in net position \$477. The result of these amounts is to decrease the change in net position by \$304. (573)

Change in Net Position -- Statement of Activities \$ 274,440

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
September 30, 2019

	Business-Type Activities-- Enterprise Funds
	<u>Utilities Funds</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
Time Deposits	\$ 46,997
Time Deposits - Restricted	60,000
Accounts Receivable	83,191
Allowance for Uncollectible	(1,143)
Note Receivable - Current	12,000
<u>Total Current Assets</u>	<u>201,045</u>
<u>Noncurrent Assets:</u>	
Note Receivable - noncurrent	133,840
Land	307,720
Construction in Progress	136,850
Buildings and Improvements, net	35
Utility Systems & Equipment, net	1,728,550
Furniture & Equipment, net	42,963
<u>Total Noncurrent Assets</u>	<u>2,349,958</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 2,551,003</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows - Lease Contract	7,026
Deferred Outflows - Pension	110,529
Deferred Outflows - OPEB	2,344
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 119,899</u>
 <b>LIABILITIES &amp; NET POSITION</b>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 16,308
<u>Noncurrent Liabilities</u>	
Customer Deposits	55,285
Net Pension Liability	26,342
Net OPEB Liability	12,043
<u>TOTAL LIABILITIES</u>	<u>109,978</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Pension	14,391
Deferred Inflows - OPEB	768
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ 15,159</u>
 <b>NET POSITION</b>	
Restricted - Collateralized Deposits	60,000
Net investment in capital assets	2,216,118
Unrestricted	269,647
<u>TOTAL NET POSITION</u>	<u>\$ 2,545,765</u>

The accompanying notes are an integral part of this statement.



CITY OF PLAINS  
Plains, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--  
PROPRIETARY FUNDS

For the Year Ended September 30, 2019

	<u>Business-Type Activities-- Enterprise Funds</u>
	<u>Utilities Funds</u>
<u>Operating Revenues</u>	
Sales	\$ 1,031,231
Penalties	13,924
Tap Fees	6,351
Miscellaneous	5,880
<u>Total Operating Revenues</u>	<u>1,057,386</u>
<u>Operating Expenses</u>	
Cost of Sales	206,884
Salaries	267,782
Payroll Taxes	6,079
Retirement Costs	45,906
Supplies	1,085
Repairs & Maintenance	119,306
Utilities & Fuel	40,170
Employee Expenses and Training	11,282
Insurance	66,314
Depreciation	180,842
Professional Fees	3,605
Miscellaneous	200
<u>Total Operating Expenses</u>	<u>949,455</u>
<u>Operating Income (Loss) Before Operating Transfers</u>	<u>107,931</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Expense	(400)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(400)</u>
<u>Transfers and Capital Contributions:</u>	
Transfers In (Out)	(214,529)
<u>Total Transfers and Capital Contributions</u>	<u>(214,529)</u>
Net Income (Loss)	(106,998)
NET POSITION	
Net Position, Beginning of Year	<u>2,652,763</u>
Net Position, End of Year	<u><u>2,545,765</u></u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2019

	Business-Type Activities-- <u>Enterprise Funds</u>
	<u>Utilities Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 1,046,260
Payments to Suppliers	(451,899)
Payments to Employees	<u>(298,778)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>295,583</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfers	<u>(214,529)</u>
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(214,529)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Fixed Assets	(76,395)
Payments on Debt Acquired for Fixed Assets	(14,498)
Payments Received from Notes Receivable	11,000
Capital Contributions - EDC	-
Capital Contributions - CDBG Grant	<u>-</u>
<u>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</u>	<u>(79,893)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	1,161
Cash & Cash Equivalents--Beginning of Year	<u>105,836</u>
<u>Cash &amp; Cash Equivalents--End of Year</u>	<u>106,997</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	107,931
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	180,842
(Increase) Decrease in Net Pension Asset/Liability	123,094
(Increase) Decrease in Deferred Inflows/Outflows Pensions	(103,346)
(Increase) Decrease in Net OPEB Asset/Liability	1,724
(Increase) Decrease in Deferred Inflows/Outflows OPEB	(483)
(Increase) Decrease in Deferred Lease Payments	2,057
(Increase) Decrease in Receivables	(15,558)
Increase (Decrease) in Liabilities	<u>(678)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>295,583</u>

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS  
September 30, 2019

Note A: Summary of Significant Accounting Policies

The City of Plains, Texas was incorporated under the provisions of the State of Texas. The City operates under a Council form of government and provides the following services as authorized by its charter: public safety (ambulance and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations.

The basic financial statements of the City of Plains have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants (AICPA).

1. The Reporting Entity

The City of Plains is a home rule municipality governed by an elected mayor and a five member City Council who appoint a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity" (as amended by GASB Statement No. 39) in that the financial statements include all organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Plains Economic Development Corporation (PEDC), a non-profit corporation, was created to promote future economic development in Plains, Texas. The PEDC is included in the reporting entity because the City Council approves the appointment of the five-member Board of Directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. The PEDC is reported as a governmental fund type component unit. Significant transactions between the City and PEDC included the City's disbursement of PEDC's share of sales tax revenues to PEDC amounting to \$85,203 for the year ended September 30, 2019. Separate PEDC financial information can be obtained by writing to Plains Economic Development Corporation, P.O. Box 550, Plains, TX 79355.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2  
September 30, 2019

Note A: Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3  
September 30, 2019

Note A: Summary of Significant Accounting Policies--Continued

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4  
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City currently has \$60,000 restricted as collateral in accordance with a vendor contract.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Deposits and Investments

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

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2019, the amount deemed uncollectible by this estimate was \$1,801. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5  
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

e. Receivable and Payable Balances

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

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

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6  
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's 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.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items which qualifies for reporting in this category.

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



CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7  
September 30, 2019

Note A: Summary of Significant Accounting Policies (continued)

i. Pensions

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

j. Other Post Employment Benefits

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

Note B: Compliance and Accountability

1. Fair Value Measurements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8  
September 30, 2019

Note B: Compliance and Accountability (continued)

1. Fair Value Measurements

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note C: Deposits and Investments

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

PEDC's carrying and bank balance was \$378,987. All PEDC's deposits were covered by FDIC insurance or pledged collateral held by the agent bank in PEDC's name at September 30, 2019. Accordingly, the PEDC had no custodial risk for deposits.

Cash Deposits

At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$1,519,665 and the bank balance was \$1,567,233. The City's cash deposits at September 30 and throughout the year were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize and investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9  
September 30, 2019

Note C: Deposits and Investments (continued)

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City's investments at September 30, 2018 included savings accounts (\$120,737) and certificates of deposit (\$811,189).

The Plains Economic Development Corporation holds land that is being developed for resale. Using Level 2 inputs, it is estimated that fair value equals \$221,771, which is the quoted sales price and the price at which lots have sold recently.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10  
September 30, 2019

Note C: Deposits and Investments (continued)

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Note D: Receivables

Receivables as of September 30, 2019 for the City's major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

Governmental activities:			
General Fund	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Property taxes	\$ 5,485	\$ (1,801)	\$ 3,684
Grant Funds	-	-	-
Total governmental	<u>\$ 5,485</u>	<u>\$ (1,801)</u>	<u>\$ 3,684</u>
Business-type activities:			
Water and Sewer Fund			
Customer accounts	\$ 83,191	\$ (1,143)	\$ 82,048
Grant Funds	-	-	-
Note Receivable-EDC	<u>\$145,840</u>	<u>\$ -</u>	<u>\$145,840</u>
Total business-type	<u>\$229,031</u>	<u>\$ (1,143)</u>	<u>\$227,888</u>
Component unit:			
Plains Economic Development Corporation			
Loans receivable	<u>\$ 27,250</u>	<u>\$ -</u>	<u>\$ 27,250</u>
Total component unit	<u>\$ 27,250</u>	<u>\$ -</u>	<u>\$ 27,250</u>

The \$145,840 note receivable held by the City's Water Fund is a note owed by the PEDC to the City for purchase of land. This is an interest free note due with minimum payments of \$1,000 per month.

The \$27,250 loan receivable held by the PEDC is an interest free note owed by a local business for the lease-purchase of a building. The minimum lease payments are \$250 per month.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11  
September 30, 2019

Note E: Capital Assets

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

<b>Governmental Activities:</b>	Balance <u>10-1-18</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-19</u>
Land	\$ 15,117	-	-	\$ 15,117
Buildings & Improvements	775,377	-	-	775,377
Furniture & Equipment	<u>689,456</u>	-	-	<u>689,456</u>
Total Capital Assets	<u>\$ 1,479,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,479,950</u>
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	\$ 345,374	\$ 18,966	-	\$ 364,340
Furniture & Equipment	<u>550,787</u>	<u>51,624</u>	-	<u>602,411</u>
Total Accumulated Depreciation	<u>\$ 896,161</u>	<u>\$ 70,590</u>	<u>\$ -</u>	<u>\$ 966,751</u>
Net Capital Assets	<u>\$ 583,789</u>	<u>\$(70,590)</u>	<u>\$ -</u>	<u>\$ 513,199</u>
<b>Business-Type Activities:</b>	Balance <u>10-1-18</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-19</u>
Land	\$ 307,720	-	-	\$ 307,720
Construction in Progress	119,350	17,500	-	136,850
Buildings & Improvements	7,589	-	-	7,589
Vehicles	516,883	-	(140,022)	376,861
Gas System	800,836	-	-	800,836
Sewer System	1,745,625	47,385	-	1,793,010
Water System	4,166,999	11,510	-	4,178,509
Garbage Equipment	<u>152,684</u>	-	-	<u>152,684</u>
Total Capital Assets	<u>\$ 7,817,686</u>	<u>\$ 76,395</u>	<u>\$(140,022)</u>	<u>\$ 7,754,059</u>
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	\$ 7,544	\$ 10	-	\$ 7,554
Vehicles	453,450	20,469	(140,022)	333,897
Gas System	656,241	13,949	-	670,190
Sewer System	1,157,475	41,507	-	1,198,982
Water System	3,069,725	104,909	-	3,174,634
Garbage Equipment	<u>152,684</u>	-	-	<u>152,684</u>
Total Accumulated Depreciation	<u>\$ 5,497,119</u>	<u>\$ 180,844</u>	<u>\$(140,022)</u>	<u>\$ 5,537,941</u>
Net Capital Assets	<u>\$ 2,320,567</u>	<u>\$(104,449)</u>	<u>\$ -</u>	<u>\$ 2,216,118</u>

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12  
September 30, 2019

Note E: Capital Assets (continued)

Depreciation was charged to functions as follows:

General Administration	\$ 10,473
General Service	5,216
Streets and Service	5,216
Fire Department	20,249
Health & Welfare	29,436
Water	107,690
Gas	15,800
Sewer	43,355
Garbage	13,999
	<u>\$251,434</u>

Note F: Long-Term Debt

Short term loans are accounted for through the applicable fund. General Fund proceeds from loans (except those issued and retired during the current year) are shown in the financial statements as Other Resources and principal payments as Other Uses. Enterprise fund loans are shown in the appropriate fund.

During fiscal year 2014, the City entered into a lease for the purchase of a backhoe. The capital lease is payable with an initial payment of \$30,000 and 5 subsequent annual payments of \$14,500. The capital lease has an effective interest rate of 2.70%.

During fiscal year 2014, the Plains EDC purchase land from the City of Plains for \$232,000. An interest-free note was established where the Plains EDC is paying the City \$1,000 per month.

Changes in long-term obligations for the year ended September 30, 2019 are as follows:

<u>Enterprise Funds:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease – Backhoe	\$ 14,098	\$ -	\$ 14,098	\$ -	\$ -
<u>Total Enterprise Funds:</u>	<u>\$ 14,098</u>	<u>\$ -</u>	<u>\$ 14,098</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Component Unit Plains EDC:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable – Land	\$ 156,840	\$ -	\$ 11,000	\$ 145,840	\$ 12,000
<u>Total Component Unit:</u>	<u>\$ 156,840</u>	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 145,840</u>	<u>\$ 12,000</u>

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13  
September 30, 2019

Note F: Long-Term Debt (continued)

Year Ending September 30,	<u>Component Unit – Plains EDC</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 12,000	\$ -	\$ 12,000
2021	12,000	-	12,000
2022	12,000	-	12,000
2023	12,000	-	12,000
2024-2032	<u>97,840</u>	<u>-</u>	<u>97,840</u>
Total	<u>\$ 145,840</u>	<u>\$ -</u>	<u>\$145,840</u>

Note G: TMRS-Pension Plan

Plan Description

The City of Plains participates as one of 887 plans in the non-traditional, 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 publically available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

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

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14  
September 30, 2019

Note G: TMRS-Pension Plan (continued)

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

*Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>8</u>
Total	17

Contributions

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

Employees for the City of Plains were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Plains were 7.81% and 6.57% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$35,820, and were greater than the required contributions.

Net Pension Liability

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



CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15  
September 30, 2019

Note G: TMRS-Pension Plan (continued)

*Actuarial assumptions:*

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

For Cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use  $(25 - (20 - 8)) = 13$  year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be  $25 - (20 - 1) = 6$  years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16  
September 30, 2019

Note G: TMRS-Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	<u>5.00%</u>	7.75%
Total	100.00%	

*Discount Rate*

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

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17  
September 30, 2019

Note G: TMRS-Pension Plan (continued)

*Change in the Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/17	\$ 1,793,169	\$ 1,932,807	\$ (139,638)
Changes for the year:			
Service cost	51,650		51,650
Interest	119,100		119,100
Change of benefit terms			
Difference between expected and actual experience	12,246		12,246
Changes of assumptions	-		-
Contributions - employer		36,477	(36,477)
Contributions - employee		24,815	(24,815)
Net investment income		(57,934)	57,934
Benefit payments, including refunds of employee contributions	(109,098)	(109,098)	-
Administrative expense		(1,119)	1,119
Other changes		(58)	58
Net changes	<u>73,898</u>	<u>(106,917)</u>	<u>180,815</u>
Balance at 12/31/18	<u>\$ 1,867,067</u>	<u>\$ 1,825,890</u>	<u>\$ 41,177</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 254,913	\$ 41,177	\$ (140,528)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2019, the city recognized pension expense of \$64,421.

CITY OF PLAINS  
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18  
September 30, 2019

Note G: TMRS-Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,195	\$ 19,553
Changes in actuarial assumptions	\$ 2,841	\$ -
Difference between projected and actual investment earnings	\$ 99,799	\$ -
Contributions subsequent to the measure date December 31, 2018	<u>\$ 27,010</u>	<u>\$ -</u>
Total	\$ 145,845	\$ 19,553

\$27,010 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2019	\$ 37,650
2020	7,267
2021	15,160
2022	39,205
2023	-
Thereafter	<u>-</u>
Total	\$ 99,282

Note H: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded 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.

Note H: Supplemental Death Benefits Plan (continued)

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.tmr.com> or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retiree is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>8</u>
Total	11

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers.

As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Contribution Rates**

<b>City</b>	<b><u>2018</u></b> <b>0.21%</b>	<b><u>2019</u></b> <b>0.23%</b>
<b>Current Fiscal Year Employer Contributions</b>	<b>\$ 782</b>	

CITY OF PLAINS  
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20  
Year Ended September 30, 2019

Note H: Supplemental Death Benefits Plan (continued)

5. Actuarial Assumptions

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

**Additional Actuarial Methods and Assumptions**

Valuation Date	December 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount Rate*	3.71%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF PLAINS  
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
Year Ended September 30, 2019

Note H: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2018, the discount rate used in the development of the Total OPEB Liability was 3.71% compared to 3.31% as of December 31, 2017. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2018.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	\$ 20,920	\$ 17,351	\$ 14,517

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2019, the City reported a liability of \$17,351 for total OPEB liability. The total OPEB liability was measured as of December 31, 2018 by an actuarial valuation as of that date.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended September 30, 2019, the City recognized OPEB expense of \$2,596.

CITY OF PLAINS  
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22  
Year Ended September 30, 2019

Note H: Supplemental Death Benefits Plan (continued)

*Change in the Total OPEB Liability*

	Total OPEB Liability (a)
Balance at 12/31/17	\$ 14,817
Changes for the year:	
Service cost	1,099
Interest	507
Change of benefit terms	
Difference between expected and actual experience	2,321
Changes of assumptions	(1,322)
Benefit payments, including refunds of employee contributions	(71)
Other changes	
Net changes	<u>2,534</u>
Balance at 12/31/18	<u>\$ 17,351</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 1,982	\$ -
Changes in actuarial assumptions	\$ 832	\$ 1,129
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ -</u>	<u>\$ -</u>
Total as of Dec. 31, 2018 measurement date	\$ 2,814	\$ 1,129
Contributions paid to TRS subsequent to the measurement date	<u>\$ 604</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 3,418</u>	<u>\$ 1,129</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2019	\$ 318
2020	318
2021	318
2022	318
2023	290
Thereafter	123



CITY OF PLAINS  
Plains, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23  
Year Ended September 30, 2019

Note I: Litigation

There was no litigation pending or in progress against the City at September 30, 2019.

*REQUIRED SUPPLEMENTARY INFORMATION*

CITY OF PLAINS  
Plains, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2019

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes (Including Penalty and Interest)	\$ 136,736	\$ 152,907	\$ 16,171
Sales Taxes	150,000	170,193	20,193
Franchise Taxes	18,000	24,181	6,181
Investment	40,000	48,834	8,834
Intergovernmental	95,000	106,975	11,975
Donations	3,000	8,957	5,957
Ambulance	25,000	35,311	10,311
Miscellaneous	10,300	47,050	36,750
<u>Total Revenues</u>	<u>478,036</u>	<u>594,408</u>	<u>116,372</u>
<u>Expenditures</u>			
<u>Current</u>			
General Administration	210,000	202,807	7,193
General Service	17,500	16,390	1,110
Court and Code Enforcement	12,500	2,943	9,557
Streets and Service	17,500	17,381	119
Fire Department	55,000	54,182	818
Health and Welfare	175,192	159,976	15,216
Capital Outlay	30,000	-	30,000
<u>Total Expenditures</u>	<u>517,692</u>	<u>453,679</u>	<u>64,013</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	119,000	214,529	95,529
<u>Total Other Financing Sources (Uses)</u>	<u>119,000</u>	<u>214,529</u>	<u>95,529</u>
<u>Excess of Revenues and Other Sources</u>			
<u>Over (Under) Expenditures and Other Uses</u>	79,344	355,258	275,914
Fund Balance, Beginning of Year	1,056,281	1,056,281	-
<u>Fund Balance, End of Year</u>	<u>\$ 1,135,625</u>	<u>\$ 1,411,539</u>	<u>\$ 275,914</u>

CITY OF PLAINS  
Plains, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 51,650	\$ 55,064	\$ 52,896	\$ 44,504	\$ 42,184
Interest (on the Total Pension Liability)	119,100	115,408	105,645	98,848	90,987
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	12,246	(37,827)	25,383	4,592	5,124
Change of assumptions	-	-	-	34,417	-
Benefit payments, including refunds of employee contributions	(109,098)	(43,378)	(37,358)	(29,786)	(24,503)
<b>Net change in Total Pension Liability</b>	73,898	89,267	146,566	152,575	113,792
<b>Total Pension Liability - Beginning</b>	1,793,169	1,703,902	1,557,336	1,404,761	1,290,969
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 1,867,067</u>	<u>\$ 1,793,169</u>	<u>\$ 1,703,902</u>	<u>\$ 1,557,336</u>	<u>\$ 1,404,761</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	36,477	38,008	36,754	33,241	32,533
Contributions - employee	24,815	25,731	24,834	22,460	21,970
Net investment income	(57,934)	233,054	104,981	2,252	81,006
Benefit payments, including refunds of employee contributions	(109,098)	(43,378)	(37,358)	(29,786)	(24,503)
Administrative expense	(1,119)	(1,207)	(1,185)	(1,371)	(846)
Other	(59)	(61)	(64)	(68)	(70)
<b>Net Change in Plan Fiduciary Net Position</b>	(106,918)	252,147	127,962	26,728	110,090
<b>Plan Fiduciary Net Position - Beginning</b>	1,932,807	1,680,661	1,552,699	1,525,971	1,415,881
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 1,825,889</u>	<u>\$ 1,932,808</u>	<u>\$ 1,680,661</u>	<u>\$ 1,552,699</u>	<u>\$ 1,525,971</u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	\$ 41,178	\$ (139,639)	\$ 23,241	\$ 4,637	\$ (121,210)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	97.79%	107.79%	98.64%	99.70%	108.63%
<b>Covered Employee Payroll</b>	\$ 354,494	\$ 367,584	\$ 354,772	\$ 320,864	\$ 313,859
<b>Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	11.62%	-37.99%	6.55%	1.45%	-38.62%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year	
	2018	2017
<b>Total OPEB Liability</b>		
Service Cost	\$ 1,099	\$ 992
Interest (on the Total OPEB Liability)	507	480
Changes of benefit terms	-	-
Difference between expected and actual experience	2,321	-
Change of assumptions	(1,322)	1,176
Benefit payments, including refunds of employee contributions	(71)	(74)
<b>Net change in Total OPEB Liability</b>	2,534	2,574
<b>Total OPEB Liability - Beginning</b>	14,817	12,243
<b>Total OPEB Liability - Ending</b>	<u>\$ 17,351</u>	<u>\$ 14,817</u>
<b>Covered Employee Payroll</b>	\$ 354,494	\$ 367,584
<b>Total OPEB Liability/(Asset) as a Percentage of Covered Payroll</b>	4.89%	4.03%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION  
(unaudited)

	Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 23,965	\$ 28,028	\$ 25,297	\$ 19,886	\$ 19,572
Contributions in relation to the actuarially determined contribution	<u>35,820</u>	<u>37,689</u>	<u>37,650</u>	<u>35,423</u>	<u>33,532</u>
Contribution (deficiency) excess	<u>\$ 11,855</u>	<u>\$ 9,661</u>	<u>\$ 12,353</u>	<u>\$ 15,537</u>	<u>\$ 13,960</u>
Covered employee payroll	\$ 348,590	\$ 364,380	\$ 363,922	\$ 341,908	\$ 323,655
Contributions as a percentage of covered employee payroll	10.28%	10.34%	10.35%	10.36%	10.36%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB  
*(unaudited)*

	Fiscal Year	
	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 782	\$ 565
Contributions in relation to the actuarially determined contribution	<u>782</u>	<u>565</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 348,590	\$ 364,380
Contributions as a percentage of covered employee payroll	0.22%	0.16%

The accompanying notes are an integral part of this statement.

CITY OF PLAINS  
Plains, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2019

Schedule of Contributions for Pensions – TMRS

**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	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Healthy 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:**

Notes

There were no benefit changes during the year.



CITY OF PLAINS  
Plains, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2019

Schedule of Contributions for OPEB – TMRS

**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

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.50% to 10.5% including inflation

Discount Rate\*

3.71%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through a Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates – service retirees

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Mortality rates – disabled retirees

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

*OTHER SUPPLEMENTARY INFORMATION*

CITY OF PLAINS  
Plains, Texas

COMBINING STATEMENT OF NET POSITION -- ALL ENTERPRISE FUNDS  
September 30, 2019

	Water	Gas	Sewer	Garbage	TOTALS (Memorandum Only)	
					September 30, 2019	September 30, 2018
<b>ASSETS</b>						
<u>Current Assets:</u>						
Time Deposits	\$ 15,438	\$ 31,559	\$ -	\$ -	\$ 46,997	\$ 45,836
Time Deposits - Restricted	-	60,000	-	-	60,000	60,000
Accounts Receivable	47,610	7,469	10,732	17,380	83,191	68,833
Allowance for Uncollectible Due from Other Governments	(670)	(13)	(208)	(252)	(1,143)	(2,343)
Notes Receivable - Current	12,000	-	-	-	12,000	12,000
<u>Total Current Assets</u>	<u>74,378</u>	<u>99,015</u>	<u>10,524</u>	<u>17,128</u>	<u>201,045</u>	<u>184,326</u>
<u>Noncurrent Assets:</u>						
Notes Receivable - noncurrent	133,840	-	-	-	133,840	144,840
Net Pension Asset	-	-	-	-	-	96,752
Land	268,970	750	1,250	36,750	307,720	307,720
Construction in Progress	126,850	-	10,000	-	136,850	119,350
Buildings and Improvements, net	7	20	4	4	35	44
Utility Systems & Equipment, net	1,003,875	130,647	594,028	-	1,728,550	1,830,020
Furniture & Equipment, net	4,989	4,989	4,989	27,996	42,963	63,431
<u>Total Noncurrent Assets</u>	<u>1,538,531</u>	<u>136,406</u>	<u>610,271</u>	<u>64,750</u>	<u>2,349,958</u>	<u>2,562,157</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,612,909</b>	<b>\$ 235,421</b>	<b>\$ 620,795</b>	<b>\$ 81,878</b>	<b>\$ 2,551,003</b>	<b>\$ 2,746,483</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Lease Contract	-	-	7,026	-	7,026	9,083
Deferred Outflows - Pension	33,320	33,230	30,163	13,816	110,529	47,676
Deferred Outflows - OPEB	717	714	651	262	2,344	1,093
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>34,037</u>	<u>33,944</u>	<u>37,840</u>	<u>14,078</u>	<u>119,899</u>	<u>57,852</u>
<b>LIABILITIES:</b>						
<u>Current Liabilities</u>						
Accounts Payable	\$ 5,471	\$ 2,397	\$ 571	\$ 7,869	\$ 16,308	\$ 19,361
<u>Noncurrent Liabilities</u>						
Customer Deposits	17,405	35,580	-	2,300	55,285	52,910
Net Pension Liability	8,145	8,023	7,059	3,115	26,342	-
Net OPEB Liability	3,665	3,662	3,367	1,349	12,043	10,319
Due within one year	-	-	-	-	-	14,098
Due in more than one year	-	-	-	-	-	-
<u>TOTAL LIABILITIES</u>	<u>34,686</u>	<u>49,662</u>	<u>10,997</u>	<u>14,633</u>	<u>109,978</u>	<u>96,688</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - Pension	4,359	4,394	4,076	1,562	14,391	54,884
Deferred Inflows - OPEB	235	234	212	87	768	-
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>4,594</u>	<u>4,628</u>	<u>4,288</u>	<u>1,649</u>	<u>15,159</u>	<u>54,884</u>
<b>NET POSITION</b>						
Restricted - Collateralized Deposits	-	60,000	-	-	60,000	60,000
Net investment in capital assets	1,404,691	136,406	610,271	64,750	2,216,118	2,306,467
Unrestricted	202,975	18,669	33,079	14,924	269,647	286,296
<u>TOTAL NET POSITION</u>	<u>1,607,666</u>	<u>215,075</u>	<u>643,350</u>	<u>79,674</u>	<u>2,545,765</u>	<u>2,652,763</u>

CITY OF PLAINS  
Plains, Texas

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--  
ALL ENTERPRISE FUNDS  
For the Year Ended September 30, 2019

	Water	Gas	Sewer	Garbage	TOTALS (Memorandum Only)	
					September 30, 2019	September 30, 2018
<u>Operating Revenues</u>						
Sales	\$ 388,002	\$ 317,798	\$ 126,495	\$ 198,936	\$ 1,031,231	\$ 965,259
Penalties	5,247	4,284	1,707	2,686	13,924	14,297
Tap Fees	2,965	2,421	965	-	6,351	4,200
Miscellaneous	1,960	1,960	1,960	-	5,880	-
<u>Total Operating Revenues</u>	<u>398,174</u>	<u>326,463</u>	<u>131,127</u>	<u>201,622</u>	<u>1,057,386</u>	<u>983,756</u>
<u>Operating Expenses</u>						
Cost of Sales	33,125	129,548	8,562	35,649	206,884	190,083
Salaries	75,152	74,910	67,994	49,726	267,782	276,807
Payroll Taxes	1,334	1,373	1,186	2,186	6,079	6,886
Retirement Costs	14,021	13,990	12,700	5,195	45,906	29,389
Supplies	373	373	173	166	1,085	4,317
Repairs & Maintenance	40,821	28,667	25,060	24,758	119,306	147,584
Utilities & Fuel	2,875	2,863	17,542	16,890	40,170	36,882
Employee Expenses and Training	2,293	7,386	1,402	201	11,282	3,011
Insurance	17,019	15,737	16,249	17,309	66,314	66,250
Depreciation	107,690	15,800	43,353	13,999	180,842	188,054
Professional Fees	-	3,605	-	-	3,605	3,175
Miscellaneous	-	-	-	200	200	1,615
<u>Total Operating Expenses</u>	<u>294,703</u>	<u>294,252</u>	<u>194,221</u>	<u>166,279</u>	<u>949,455</u>	<u>954,053</u>
<u>Operating Income (Loss) Before</u>						
<u>Operating Transfers</u>	<u>103,471</u>	<u>32,211</u>	<u>(63,094)</u>	<u>35,343</u>	<u>107,931</u>	<u>29,703</u>
<u>Non-Operating Revenues (Expenses)</u>						
Interest Expense	(400)	-	-	-	(400)	(794)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400)</u>	<u>(794)</u>
<u>Transfers and Capital Contributions</u>						
Capital Contributions - CDBG Grant	-	-	-	-	-	64,383
Capital Contributions - EDC	-	-	-	-	-	200,000
Transfers In (Out)	(181,716)	(48,013)	70,179	(54,979)	(214,529)	(47,245)
<u>Total Transfers and Capital Contributions</u>	<u>(181,716)</u>	<u>(48,013)</u>	<u>70,179</u>	<u>(54,979)</u>	<u>(214,529)</u>	<u>217,138</u>
Net Income (Loss)	(78,645)	(15,802)	7,085	(19,636)	(106,998)	246,047
<u>NET POSITION</u>						
Net Position, Beginning of Year	1,686,311	230,877	636,265	99,310	2,652,763	2,323,242
Prior Period Adjustment	-	-	-	-	-	83,474
Net Position, End of Year	<u>1,607,666</u>	<u>215,075</u>	<u>643,350</u>	<u>79,674</u>	<u>2,545,765</u>	<u>2,652,763</u>

CITY OF PLAINS  
Plains, Texas

COMBINING STATEMENT OF CASH FLOWS -- ALL ENTERPRISE FUNDS  
For the Year Ended September 30, 2019

					TOTALS	
					(Memorandum Only)	
	Water	Gas	Sewer	Garbage	September 30, 2019	September 30, 2018
<u>Cash Flows from Operating Activities:</u>						
Receipts from Customers	383,818	327,760	133,266	201,416	1,046,260	988,205
Payments to Suppliers	(95,307)	(194,873)	(70,003)	(91,716)	(451,899)	(549,008)
Payments to Employees	(84,114)	(83,886)	(76,057)	(54,721)	(298,778)	(310,365)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>204,397</u>	<u>49,001</u>	<u>(12,794)</u>	<u>54,979</u>	<u>295,583</u>	<u>128,832</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>						
Operating Transfers	(181,716)	(48,013)	70,179	(54,979)	(214,529)	(47,245)
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>(181,716)</u>	<u>(48,013)</u>	<u>70,179</u>	<u>(54,979)</u>	<u>(214,529)</u>	<u>(47,245)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>						
Acquisition of Fixed Assets	(19,010)	-	(57,385)	-	(76,395)	(462,060)
Payments on Debt Acquired for Fixed Assets	(14,498)	-	-	-	(14,498)	(14,499)
Payments Received from Notes Receivable	11,000	-	-	-	11,000	27,160
Capital Contributions - EDC	-	-	-	-	-	200,000
Capital Contributions - CDBG Grant	-	-	-	-	-	167,591
<u>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</u>	<u>(22,508)</u>	<u>-</u>	<u>(57,385)</u>	<u>-</u>	<u>(79,893)</u>	<u>(81,808)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	173	988	-	-	1,161	(221)
Cash & Cash Equivalents--Beginning of Year	15,265	90,571	-	-	105,836	106,057
<u>Cash &amp; Cash Equivalents--End of Year</u>	<u>15,438</u>	<u>91,559</u>	<u>-</u>	<u>-</u>	<u>106,997</u>	<u>105,836</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ 103,471	\$ 32,211	\$ (63,094)	\$ 35,343	\$ 107,931	\$ 29,703
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:						
Depreciation	107,690	15,800	43,353	13,999	180,842	188,054
(Increase) Decrease in Net Pension Asset/Liability	37,682	37,562	33,973	13,877	123,094	(113,114)
(Increase) Decrease in Deferred Inflows/Outflows Pensions	(31,667)	(31,552)	(28,494)	(11,633)	(103,346)	115,130
(Increase) Decrease in Net OPEB Asset/Liability	528	525	477	194	1,724	1,793
(Increase) Decrease in Deferred Inflows/Outflows OPEB	(150)	(148)	(133)	(52)	(483)	(1,093)
(Increase) Decrease in Deferred Lease Payments	-	-	2,057	-	2,057	2,058
(Increase) Decrease in Receivables	(14,856)	(428)	82	(356)	(15,558)	2,849
Increase (Decrease) in Liabilities	1,699	(4,969)	(1,015)	3,607	(678)	(96,548)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>204,397</u>	<u>49,001</u>	<u>(12,794)</u>	<u>54,979</u>	<u>295,583</u>	<u>128,832</u>

CITY OF PLAINS  
Plains, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended September 30, 2019

Years Ended September 30	Tax Rate Per \$100 Value	Assessed/Appraised Value for Tax Purposes	Balance 10/01/18	Add: Current Levy	Less: Collections	Total Year's Adjustments	Balance 09/30/19
2010 and Prior	\$ --	\$ --	\$ 6	\$ -	\$ -	\$ (6)	\$ -
2011	0.460000	24,310,000	5	-	-	-	5
2012	0.436611	26,510,097	5	-	-	-	5
2013	0.418327	28,493,021	115	-	115	-	-
2014	0.404300	30,450,655	253	-	220	-	33
2015	0.389426	33,115,663	370	-	144	-	226
2016	0.371468	36,144,971	749	-	396	-	353
2017	0.371468	37,293,657	1,362	-	815	-	547
2018	0.360456	39,018,355	3,722	-	2,581	(12)	1,129
2019	0.350092	42,299,453	-	148,087	144,941	41	3,187
		<u>Totals</u>	<u>\$ 6,587</u>	<u>\$ 148,087</u>	<u>\$ 149,212</u>	<u>\$ 23</u>	<u>\$ 5,485</u>

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## 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

To the Honorable Mayor and City Council  
City of Plains, Texas  
P.O. Box 550  
Plains, Texas 79355

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Plains' basic financial statements, and have issued our report thereon dated December 9, 2019.

#### Internal Control Over Financial Reporting

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



Independent Auditors' Report  
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

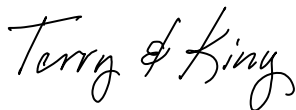
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Plains' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.  
Lubbock, Texas  
December 9, 2019