

CITY OF LAMESA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

CITY OF LAMESA, TEXAS

ANNUAL FINANCIAL REPORT

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TABLE OF CONTENTS (Continued)

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position	Exhibit A-1	4
Statement of Activities	Exhibit A-2	5
Fund Financial Statements		
Balance Sheet – Governmental Funds	Exhibit A-3	6
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	Exhibit A-4	7
Statement of Revenues, Expenditures, and		
Changes in Fund Balances – Governmental Funds	Exhibit A-5	8
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities	Exhibit A-6	9
Statement of Net Position – Proprietary Funds	Exhibit A-7	10
Statement of Revenues, Expenses, and Changes in Fund		
Net Position – Proprietary Funds	Exhibit A-8	11
Statement of Cash Flows – Proprietary Funds	Exhibit A-9	12
Notes to Financial Statements (an Integral Part of the Basic Financial Statements)		13
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Changes in the Plan's Net Pension		
Liability and Related Ratios - TMRS	Exhibit B-1	41
Schedule of Employer Contributions - TMRS	Exhibit B-2	42
Notes to the Required Supplementary Information - TMRS		43
Schedule of Changes in the Plan's Net Pension		
Liability and Related Ratios - TESRS	Exhibit B-3	44
Schedule of Employer Contributions - TESRS	Exhibit B-4	45
Notes to the Required Supplementary Information - TESRS		46
Budgetary Comparison Schedule – General Fund	Exhibit B-5	47
Notes to the Required Supplementary Information		48

CITY OF LAMESA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS (Concluded)

	<u>Statement Identification</u>	<u>Page No.</u>
COMBINING STATEMENTS		
Combining Balance Sheet – Nonmajor Governmental Funds	Exhibit C-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	Exhibit C-2	50
HUD FINANCIAL DATA SCHEDULES		
Supplementary Financial Data Schedule – Balance Sheet	Exhibit C-3	51
Supplementary Financial Data Schedule – Revenue and Expense	Exhibit C-4	52
PROPRIETARY FUND SEGMENT REPORTING		
Statement of Net Position - Wastewater	Exhibit C-5	53
Statement of Revenues, Expenses, and Changes in Fund Net Position - Wastewater	Exhibit C-6	54
Statement of Cash Flows - Wastewater	Exhibit C-7	55
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		56

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Independent Auditor's Report

City Council
City of Lamesa, Texas
Lamesa, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lamesa, Texas (the City), as of and for the fiscal 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, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lamesa, 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 schedule of changes in the plan's net pension asset/liability and related ratios for the retirement plans, the schedule of employer contributions for the retirement plans, and budgetary comparison information on pages 41 - 45, and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report April 3, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 3, 2020

BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Lamesa EDC	Lamesa EAP
ASSETS:					
Cash and Cash Equivalents	\$ 4,504,906	\$ 2,929,991	\$ 7,434,897	\$ 1,604,986	\$ 801,702
Receivables, Net of Allowances	643,310	657,879	1,301,189		
Intergovernmental Receivables	21,993		21,993		
Due From City				53,939	53,279
Internal Balances	96,624	(96,624)			
Inventory - Supplies	6,036	251,122	257,158		
Inventory - Land				324,835	
Restricted Cash and Cash Equivalents		639,123	639,123		
Notes Receivable				10,000	53,686
Prepaid Items				1,518	
Capital Assets, Net of Accumulated Depreciation and Amortization					
Nondepreciable	54,426	369,238	423,664		
Depreciable	4,505,154	11,465,210	15,970,364	99,095	
Water Rights		2,622,234	2,622,234		
Total Assets	<u>\$ 9,832,449</u>	<u>\$ 18,838,173</u>	<u>\$ 28,670,622</u>	<u>\$ 2,094,373</u>	<u>\$ 908,667</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Plan - Employer Contribution Deferrals - TMRS	\$ 70,080	\$ 44,252	\$ 114,332	\$ 2,882	\$
Pension Plan - Investment Differences - TMRS	510,963	322,652	833,615	14,282	
Pension Plan - Assumption Changes - TESRS	1,175		1,175		
Deferred Charges on Refunding		34,157	34,157		
Total Deferred Outflows of Resources	<u>\$ 582,218</u>	<u>\$ 401,061</u>	<u>\$ 983,279</u>	<u>\$ 17,164</u>	<u>\$ 0</u>
LIABILITIES:					
Accounts Payable and Due to State	\$ 273,712	\$ 13,768	\$ 287,480	\$ 21,333	\$
Due to EDC's	107,218		107,218		
Accrued Wages	55,017	4,827	59,844	324	
Customer Deposits	20,914	270,860	291,774		
Refunds Payable		13,897	13,897		
Noncurrent Liabilities					
Long-Term Debt Due within One Year	158,948	1,035,748	1,194,696	228,626	
Long-Term Debt Due in More Than One Year	434,228	8,726,451	9,160,679	227,006	
Net Pension Liability - TMRS	334,425	211,174	545,599	11,223	
Net Pension Liability - TESRS	314,521		314,521		
Closure/Postclosure Landfill Obligation		581,817	581,817		
Total Liabilities	<u>\$ 1,698,983</u>	<u>\$ 10,858,542</u>	<u>\$ 12,557,525</u>	<u>\$ 488,512</u>	<u>\$ 0</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Plan - Experience Differences - TMRS	\$ 17,677	\$ 11,163	\$ 28,840	\$ 808	\$
Pension Plan - Investment Differences - TESRS	17,383		17,383		
Pension Plan - Experience Differences - TESRS	819		819		
Total Deferred Inflows of Resources	<u>\$ 35,879</u>	<u>\$ 11,163</u>	<u>\$ 47,042</u>	<u>\$ 808</u>	<u>\$ 0</u>
NET POSITION:					
Net Investment in Capital Assets	\$ 4,559,580	\$ 4,840,389	\$ 9,399,969	\$ 99,095	\$
Restricted For:					
Enabling Legislation	368,468		368,468		
Closure and Postclosure Care		57,306	57,306		
HUD Programs		15,787	15,787		
Unrestricted	<u>3,751,757</u>	<u>3,456,047</u>	<u>7,207,804</u>	<u>1,523,122</u>	<u>908,667</u>
Total Net Position	<u>\$ 8,679,805</u>	<u>\$ 8,369,529</u>	<u>\$ 17,049,334</u>	<u>\$ 1,622,217</u>	<u>\$ 908,667</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Lamesa EDC	Lamesa EAP
PRIMARY GOVERNMENT:									
Governmental Activities									
Administration	\$ 487,014	\$ 47,944	\$ 41,404	\$ 90,445	\$ (307,221)	\$	\$ (307,221)	\$	\$
General Government	586,764	88,824			(497,940)		(497,940)		
Tourism	130,707				(130,707)		(130,707)		
Fire	857,937		204,990		(652,947)		(652,947)		
Streets	584,326		72,282		(512,044)		(512,044)		
Vehicle Services	144,654				(144,654)		(144,654)		
Police	1,767,362	15,657			(1,751,705)		(1,751,705)		
Parks and Recreation	1,093,298		123,304		(969,994)		(969,994)		
Airport	35,622		35,621		(1)		(1)		
Interest Expense and Related Fees	15,163				(15,163)		(15,163)		
Total Governmental Activities	\$ 5,702,847	\$ 152,425	\$ 477,601	\$ 90,445	\$ (4,982,376)	\$ 0	\$ (4,982,376)	\$ 0	\$ 0
Business-Type Activities:									
Water and Wastewater	\$ 3,948,939	\$ 4,871,827	\$	\$	\$	\$ 922,888	\$ 922,888	\$	\$
Solid Waste	1,466,033	1,800,867	65,340			400,174	400,174		
Municipal Golf Course	337,354	194,323				(143,031)	(143,031)		
Housing Program	459,799	456,403				(3,396)	(3,396)		
Interest Expense and Related Fees	426,659					(426,659)	(426,659)		
Total Business-Type Activities	\$ 6,638,784	\$ 7,323,420	\$ 65,340	\$ 0	\$ 0	\$ 749,976	\$ 749,976	\$ 0	\$ 0
Total Primary Government	\$ 12,341,631	\$ 7,475,845	\$ 542,941	\$ 90,445	\$ (4,982,376)	\$ 749,976	\$ (4,232,400)	\$ 0	\$ 0
Component Units:									
Lamesa Economic Development Corporation	\$ 213,835	\$	\$	\$				\$ (213,835)	\$
Lamesa Economic Alliance Project	185,690								(185,690)
Total Component Units	\$ 399,525	\$ 0	\$ 0	\$ 0				\$ (213,835)	\$ (185,690)
General Revenues:									
Property Taxes					\$ 2,290,406	\$	\$ 2,290,406	\$	\$
Sales Taxes					1,185,491		1,185,491	294,519	294,520
Gross Receipts Taxes					374,577		374,577		
Motel Occupancy Taxes					152,194		152,194		
Rents and Royalties					29,672		29,672	350	
Investment Earnings					56,178	42,846	99,024	27,711	15,856
Gain on Retirement of Assets						3,622	3,622		
Other					427,895	97,523	525,418	157,577	
Transfers					720,732	(720,732)			
Total General Revenue and Transfers					\$ 5,237,145	\$ (576,741)	\$ 4,660,404	\$ 480,157	\$ 310,376
Change in Net Position					\$ 254,769	\$ 173,235	\$ 428,004	\$ 266,322	\$ 124,686
Net Position - Beginning					8,425,036	8,196,294	16,621,330	1,355,895	783,981
Net Position - Ending					\$ 8,679,805	\$ 8,369,529	\$ 17,049,334	\$ 1,622,217	\$ 908,667

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

EXHIBIT A-3

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 3,375,336	\$ 355,127	\$ 3,730,463
Receivables, Net of Allowances	617,459	25,851	643,310
Intergovernmental Receivables	21,993		21,993
Inventory	6,036		6,036
Total Assets	<u>\$ 4,020,824</u>	<u>\$ 380,978</u>	<u>\$ 4,401,802</u>
LIABILITIES:			
Accounts Payable	\$ 261,202	\$ 12,510	\$ 273,712
Accrued Payroll Liabilities	55,017		55,017
Due to Other Funds	32,147		32,147
Due to EDC's	107,218		107,218
Community Building Deposits	20,914		20,914
Total Liabilities	<u>\$ 476,498</u>	<u>\$ 12,510</u>	<u>\$ 489,008</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Revenue	\$ 194,206	\$	\$ 194,206
Total Deferred Inflows of Resources	<u>\$ 194,206</u>	<u>\$ 0</u>	<u>\$ 194,206</u>
FUND BALANCES:			
Nonspendable - Inventory	\$ 6,036	\$	\$ 6,036
Restricted for Enabling Legislation		368,468	368,468
Unassigned	3,344,084		3,344,084
Total Fund Balances	<u>\$ 3,350,120</u>	<u>\$ 368,468</u>	<u>\$ 3,718,588</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,020,824</u>	<u>\$ 380,978</u>	<u>\$ 4,401,802</u>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

EXHIBIT A-4

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

Total Fund Balances - Governmental Funds Balance Sheet	\$ 3,718,588
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Net Capital assets used in governmental activities are not reported in the funds.	4,559,580
Property taxes receivable and court fines and fees unavailable to pay for current period expenditures are deferred in the funds.	194,206
Payables for debt principal which are not due in the current period are not reported in the funds.	(517,946)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(75,230)
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	903,214
Net Pension Liability and Related Deferred Inflows and Outflows are not reported in the funds - TMRS.	228,941
Net Pension Liability and Related Deferred Inflows and Outflows are not reported in the funds - TESRS.	<u>(331,548)</u>
Net Position of Governmental Activities - Statement of Net Position	\$ <u><u>8,679,805</u></u>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

EXHIBIT A-5

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:			
Taxes:			
General Property Taxes	\$ 2,344,630	\$	\$ 2,344,630
Sales Taxes	1,185,491		1,185,491
Gross Receipts Business Taxes	371,967	2,610	374,577
Motel Occupancy Taxes		152,194	152,194
Licenses and Permits	47,994		47,994
Charges for Services	18,271		18,271
Fines, Fees, and Forfeits	100,000	4,431	104,431
Investment Earnings	55,025	1,153	56,178
Intergovernmental	212,480	337,295	549,775
Rents and Royalties	29,672		29,672
Miscellaneous	427,894	1	427,895
Total Revenues	<u>\$ 4,793,424</u>	<u>\$ 497,684</u>	<u>\$ 5,291,108</u>
Expenditures:			
Current:			
Administration	\$ 518,094	\$	\$ 518,094
General Government	556,656	76,614	633,270
Tourism		123,020	123,020
Fire	832,989		832,989
Streets	594,580		594,580
Vehicle Services	92,900		92,900
Police	2,073,573		2,073,573
Parks and Recreation	893,701	195,394	1,089,095
Airport		35,622	35,622
Debt Service:			
Principal	154,449		154,449
Interest and Fiscal Charges	15,163		15,163
Total Expenditures	<u>\$ 5,732,105</u>	<u>\$ 430,650</u>	<u>\$ 6,162,755</u>
Deficits of Revenues Over Expenditures	<u>\$ (938,681)</u>	<u>\$ 67,034</u>	<u>\$ (871,647)</u>
Other Financing Sources:			
Transfers In (Out)	\$ 720,732	\$ (4,500)	\$ 716,232
Capital Lease Proceeds	459,715		459,715
Total Other Financing Sources	<u>\$ 1,180,447</u>	<u>\$ (4,500)</u>	<u>\$ 1,175,947</u>
Net Change in Fund Balances	\$ 241,766	\$ 62,534	\$ 304,300
Fund Balances - Beginning	<u>3,108,354</u>	<u>305,934</u>	<u>3,414,288</u>
Fund Balances - Ending	<u>\$ 3,350,120</u>	<u>\$ 368,468</u>	<u>\$ 3,718,588</u>

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

EXHIBIT A-6

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	\$	304,300
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:		
Capital assets are not reported as expenses in the SOA.		874,577
The depreciation of capital assets used in governmental activities is not reported in the funds.		(587,868)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(54,224)
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.		154,449
Proceeds from issuance of capital leases are not recorded as other financing sources in the statement of activities.		(459,715)
The net revenue or expense of internal service funds is reported with governmental activities.		255,154
Pension Expense is not accrued in the funds related to the Net Pension Liability, Deferred Outflow, and Deferred Inflows - TMRS.		(141,995)
Pension Expense is not accrued in the funds related to the Net Pension Liability, Deferred Outflow, and Deferred Inflows - TESRS.		(106,032)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>16,123</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>254,769</u></u>

The accompanying notes are an integral part of this statement.

-10-
CITY OF LAMESA, TEXAS

EXHIBIT A-7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	Business-Type Activities - Major Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Wastewater	Solid Waste	Municipal Golf Course	Housing Program	Totals	
ASSETS:						
Cash and Cash Equivalents	\$ 1,728,485	\$ 1,175,005	\$	\$ 26,501	\$ 2,929,991	\$ 774,443
Receivables, Net of Allowances	482,779	174,829	271		657,879	
Due from Other Funds	63,625	75,000			138,625	128,771
Inventory	251,122				251,122	
Restricted Assets						
Cash and Cash Equivalents		639,123			639,123	
Total Current Assets	\$ 2,526,011	\$ 2,063,957	\$ 271	\$ 26,501	\$ 4,616,740	\$ 903,214
Noncurrent Assets						
Capital Assets, Net of Accumulated Depreciation and Amortization						
Land	\$ 145,919	\$ 143,957	\$ 79,362	\$	\$ 369,238	\$
Buildings	67,361	473,280	22,387		563,028	
Improvements other than Buildings	4,332,300				4,332,300	
Machinery and Equipment	658,965	774,011	95,288		1,528,264	
Infrastructure	5,041,618				5,041,618	
Water Rights	2,622,234				2,622,234	
Total Noncurrent Assets	\$ 12,868,397	\$ 1,391,248	\$ 197,037	\$ 0	\$ 14,456,682	\$ 0
Total Assets	\$ 15,394,408	\$ 3,455,205	\$ 197,308	\$ 26,501	\$ 19,073,422	\$ 903,214
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Plan - Employer Contributions	\$ 25,332	\$ 15,425	\$ 3,495	\$	\$ 44,252	\$
Pension Plan - Investment Differences	184,704	112,464	25,484		322,652	
Deferred Charges on Refundings	34,157				34,157	
Total Deferred Outflows of Resources	\$ 244,193	\$ 127,889	\$ 28,979	\$ 0	\$ 401,061	\$ 0
LIABILITIES:						
Accounts Payable and Due to State	\$ 3,054	\$	\$	\$ 10,714	\$ 13,768	\$
Due to Other Funds			235,249		235,249	
Refunds Payable	13,897				13,897	
Accrued Payroll Liabilities	2,675	1,746	406		4,827	
Customer Deposits	270,860				270,860	
Current Portion of Long-Term Liabilities						
Compensated Absences	11,559	5,760	3,170		20,489	
Notes and Bonds Payable	660,342				660,342	
Leases Payable	158,478	172,728	23,711		354,917	
Total Current Liabilities	\$ 1,120,865	\$ 180,234	\$ 262,536	\$ 10,714	\$ 1,574,349	\$ 0
Noncurrent Liabilities						
Compensated Absences	\$ 34,677	\$ 17,279	\$ 9,509	\$	\$ 61,465	\$
Notes and Bonds Payable	6,695,872				6,695,872	
Premium on Notes Payable	63,952				63,952	
Leases Payable	1,445,668	390,785	68,709		1,905,162	
Net Pension Liability	120,888	73,607	16,679		211,174	
Landfill Closure and Postclosure		581,817			581,817	
Total Noncurrent Liabilities	\$ 8,361,057	\$ 1,063,488	\$ 94,897	\$ 0	\$ 9,519,442	\$ 0
Total Liabilities	\$ 9,481,922	\$ 1,243,722	\$ 357,433	\$ 10,714	\$ 11,093,791	\$ 0
DEFERRED INFLOWS OF RESOURCES:						
Pension Plan - Experience Differences	\$ 6,390	\$ 3,891	\$ 882	\$	\$ 11,163	\$
Total Deferred Inflows of Resources	\$ 6,390	\$ 3,891	\$ 882	\$ 0	\$ 11,163	\$ 0
NET POSITION:						
Net Investment in Capital Assets	\$ 3,908,037	\$ 827,735	\$ 104,617	\$	\$ 4,840,389	\$
Restricted For:						
Closure and Postclosure Care		57,306			57,306	
HUD Programs				15,787	15,787	
Unrestricted	2,242,252	1,450,440	(236,645)		3,456,047	903,214
Total Net Position	\$ 6,150,289	\$ 2,335,481	\$ (132,028)	\$ 15,787	\$ 8,369,529	\$ 903,214

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Wastewater	Solid Waste	Municipal Golf Course	Housing Program	Totals	
OPERATING REVENUES:						
Water and Wastewater Revenue	\$ 4,871,827				\$ 4,871,827	
Sanitation Charges		1,800,867			1,800,867	
Municipal Golf Course Fees			194,323		194,323	
Commercial Rentals and Fees				456,403	456,403	
Interdepartmental Billings						880,525
Total Operating Revenues	\$ 4,871,827	\$ 1,800,867	\$ 194,323	\$ 456,403	\$ 7,323,420	\$ 880,525
OPERATING EXPENSES:						
Housing Assistance Payments				\$ 392,813	\$ 392,813	
Personnel Services	1,062,695	646,667	153,977	44,500	1,907,839	632,948
Supplies	149,216	91,070	21,575		261,861	
Maintenance	390,189	148,543	101,048	22,486	662,266	
Miscellaneous Services	1,338,867	143,760	30,942		1,513,569	
Depreciation and Amortization	958,201	384,891	29,812		1,372,904	
Noncapitalized Equipment	49,771	51,102			100,873	
Total Operating Expenses	\$ 3,948,939	\$ 1,466,033	\$ 337,354	\$ 459,799	\$ 6,212,125	\$ 632,948
Operating Income (Loss)	\$ 922,888	\$ 334,834	\$ (143,031)	\$ (3,396)	\$ 1,111,295	\$ 247,577
NON-OPERATING REVENUES (EXPENSES):						
Interest Revenue	\$ 25,120	\$ 16,937		\$ 789	\$ 42,846	\$ 3,077
Gain (Loss) on Sale of Assets	3,622				3,622	
Intergovernmental Revenue		65,340			65,340	
Miscellaneous Income	97,523				97,523	
Interest Expense and Related Fees	(408,701)	(17,958)			(426,659)	
Total Non-Operating Revenue (Expense)	\$ (282,436)	\$ 64,319	\$ 0	\$ 789	\$ (217,328)	\$ 3,077
Income (Loss) Before Transfers	\$ 640,452	\$ 399,153	\$ (143,031)	\$ (2,607)	\$ 893,967	\$ 250,654
Transfers In (Out)	(379,502)	(341,230)			(720,732)	4,500
Change in Net Position	\$ 260,950	\$ 57,923	\$ (143,031)	\$ (2,607)	\$ 173,235	\$ 255,154
Total Net Position - Beginning	5,889,339	2,277,558	11,003	18,394	8,196,294	648,060
Total Net Position - Ending	\$ 6,150,289	\$ 2,335,481	\$ (132,028)	\$ 15,787	\$ 8,369,529	\$ 903,214

The accompanying notes are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Water & Waste Water	Solid Waste	Municipal Golf Course	Housing Program	Total	
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 4,892,098	\$ 1,811,197	\$ 196,725	\$ 456,403	\$ 7,356,423	\$ 882,914
Cash Payments for Insurance Policies and Settlements						(634,157)
Cash Payments to Employees for Services	(1,032,625)	(640,387)	(149,561)	(54,258)	(1,876,831)	
Cash Payments for Housing Subsidies				(392,813)	(392,813)	
Cash Payments to Other Suppliers for Goods and Services	(2,022,966)	(434,475)	(160,780)	(11,772)	(2,629,993)	
Net Cash from Operating Activities	<u>\$ 1,836,507</u>	<u>\$ 736,335</u>	<u>\$ (113,616)</u>	<u>\$ (2,440)</u>	<u>\$ 2,456,786</u>	<u>\$ 248,757</u>
Cash Flows from Non-Capital Financing Activities:						
Cash Received from Intergovernmental Contributions	\$	\$ 65,340	\$	\$	\$ 65,340	\$
Miscellaneous Income	97,523	2			97,525	
Transfers to Other Funds	(557,752)	(341,230)	138,513	0	(760,469)	(27,647)
Net Cash from Non-Capital Financing Activities	<u>\$ (460,229)</u>	<u>\$ (275,888)</u>	<u>\$ 138,513</u>	<u>\$ 0</u>	<u>\$ (597,604)</u>	<u>\$ (27,647)</u>
Cash Flows from Capital and Related Financing Activities:						
Principal and Interest Paid	\$ (1,299,196)	\$ (321,564)	\$ (24,897)	\$	\$ (1,645,657)	\$
Proceeds from Sale of Assets	3,622				3,622	
Acquisition or Construction of Capital Assets	(96,750)	(6,500)			(103,250)	
Net Cash from Capital and Related Financing Activities	<u>\$ (1,392,324)</u>	<u>\$ (328,064)</u>	<u>\$ (24,897)</u>	<u>\$ 0</u>	<u>\$ (1,745,285)</u>	<u>\$ 0</u>
Cash Flows from Investing Activities:						
Interest and Dividends on Investments	\$ 25,120	\$ 16,937	\$	\$ 789	\$ 42,846	\$ 3,077
Net Cash from Investing Activities	<u>\$ 25,120</u>	<u>\$ 16,937</u>	<u>\$ 0</u>	<u>\$ 789</u>	<u>\$ 42,846</u>	<u>\$ 3,077</u>
Change in Cash and Cash Equivalents	\$ 9,074	\$ 149,320	\$ 0	\$ (1,651)	\$ 156,743	\$ 224,187
Cash and Cash Equivalents - Beginning of Year	1,719,411	1,664,808	0	28,152	3,412,371	550,256
Cash and Cash Equivalents - End of Year	<u>\$ 1,728,485</u>	<u>\$ 1,814,128</u>	<u>\$ 0</u>	<u>\$ 26,501</u>	<u>\$ 3,569,114</u>	<u>\$ 774,443</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:						
Operating Income (Loss)	\$ 922,888	\$ 334,834	\$ (143,031)	\$ (3,396)	\$ 1,111,295	\$ 247,577
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities						
Depreciation and Amortization	\$ 958,201	\$ 384,891	\$ 29,812	\$	\$ 1,372,904	\$
Change in Assets and Liabilities:						
Decrease (Increase) in Receivables	15,090	10,330	2,402		27,822	2,389
Decrease (Increase) in Inventory	(95,333)				(95,333)	
Decrease (Increase) in Deferred Outflows	(181,253)	(111,462)	(24,846)		(317,561)	
Increase (Decrease) in Accounts Payable and Due to State	410		(7,215)	10,714	3,909	
Increase (Decrease) in Claims Payable						
Increase (Decrease) in Refunds Payable	(4,015)				(4,015)	
Increase (Decrease) in Customer Deposits	9,196				9,196	
Increase (Decrease) in Accrued Expenses	(22,019)	(20,289)	(3,532)	(9,758)	(55,598)	(1,209)
Increase (Decrease) in Net Pension Liability	338,943	198,056	47,996		584,995	
Increase (Decrease) in Deferred Inflows	(105,601)	(60,025)	(15,202)		(180,828)	
Total Adjustments	<u>\$ 913,619</u>	<u>\$ 401,501</u>	<u>\$ 29,415</u>	<u>\$ 956</u>	<u>\$ 1,345,491</u>	<u>\$ 1,180</u>
Net Cash from Operating Activities	<u>\$ 1,836,507</u>	<u>\$ 736,335</u>	<u>\$ (113,616)</u>	<u>\$ (2,440)</u>	<u>\$ 2,456,786</u>	<u>\$ 248,757</u>

Non-Cash Financing Activities:

The City received a capital lease in the amount of \$42,734 for the Water and Wastewater Fund for fixed assets.
The City received a capital lease in the amount of \$268,833 for the Solid Waste Fund to fixed assets.

The accompanying notes are an integral part of this statement.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

The City of Lamesa, Texas' (the City) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

1. Reporting Entity

The City is a municipal corporation governed by a Council - City Manager form of government. The City incorporated in 1917. The City provides a range of services, including tourism, police and fire protection, maintenance of streets and other infrastructure, and recreational activities. The City also provides utilities for water, sewer, and solid waste, as well as operating the municipal golf course and providing housing assistance to local residents.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Council. The City Council (the Council) is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Council also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its Statement No. 61, *The Financial Reporting Entity*.

GASB Statement No. 61 identifies criteria for determining if other entities are potential component units that should be reported within the City's basic financial statements. The application of these criteria provides for identification of any entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading. Based on the application of these criteria, two component units, Lamesa Economic Development Corporation (LEDC) and Lamesa Economic Alliance Project (LEAP), are included within the reporting City. The City is financially accountable for the Corporation, establishes the sales tax that is the principal source of revenue for the Corporation, and appoints the Board of Directors. This component unit has been discretely presented in the accompanying financial statements. Complete financial statements for the component units can be obtained from their office at 123 Main Avenue, Lamesa, Texas 79331.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

The City also reports nonmajor governmental fund types:

Special Revenue: The City accounts for funds received or charged that are restricted by third parties in these accounts.

The City reports the following major enterprise funds:

Water and Wastewater Fund: This fund accounts for the revenues and expenses associated with providing water and sewer service to the citizens of the City.

Solid Waste Fund: This fund accounts for the revenues and expenses associated with providing solid waste service to the citizens of the City.

Municipal Golf Course: This fund accounts for the revenues and expenses associated operating the municipal golf course as a service to the citizens of the City.

Housing Program: This fund accounts for the revenues and expenses associated with the City operated housing assistance program.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Additionally, the City reports an Internal Service Fund which is used to account for workers' compensation insurance, property insurance, and self-funded health insurance provided to the departments of the city.

Fund Balances

The City reports fund balances under GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable fund balance—includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain in-tact such as the principal of an endowment.

Restricted fund balance—includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed fund balance—includes the portion of net resources upon which the City Council has imposed limitations on use. These are amounts that can be used only for the specific purposes determined by a *formal action* of the City Council. Commitments may be changed or lifted only by the Council taking the same *formal action* that originally imposed the constraint. The *formal action* must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned fund balance—includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balances are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance—includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

Fund Balance Policy

Committed Fund Balance—The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed).

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Assigned Fund Balance—The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds

When multiple categories of fund balances are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds, but also reserves the right to deviate from this general strategy when appropriate.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations 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 60 days after year-end. Revenues from local sources consist primarily of property taxes, franchise taxes, and gross receipts taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash in bank, restricted cash, and certificates of deposit are considered to be cash equivalents.

Restricted Cash and Cash Equivalents consisted of funds restricted for closure and post closure obligations related to the City's landfill operations recorded in the Solid Waste Fund. As of September 30, 2019 the restricted balance was \$639,123.

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Prepaid Items

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

d. Inventory – Supplies

Inventory is valued at the lower of FIFO cost (first in, first out) or market. Inventory in the Water and Wastewater Fund consists of supplies held for future use.

e. Capital Assets

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

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Asset Classes	Estimated Useful Lives (Years)
Buildings	20-50
Improvements Other than Buildings	20
Machinery and Equipment	5-10
Infrastructure	20-50

f. Receivable Balances

Receivables as of year-end for the City’s individual major funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Receivables:			
Customer Accounts	\$	\$ 370,006	\$ 370,006
Unbilled Revenue		381,768	381,768
Property Taxes	344,191		344,191
Franchise Fees	80,807		80,807
Hotel Occupancy Taxes	25,851		25,851
Sales Tax	323,635		323,635
Paving Liens	860,012		860,012
Other	20,281		20,281
Gross Receivables	\$ 1,654,777	\$ 751,774	\$ 2,406,551
Less: Allowance for Uncollectibles	(1,011,467)	(93,895)	(1,105,362)
Net Total Receivables	\$ 643,310	\$ 657,879	\$ 1,301,189

g. Deferred Inflows of Resources Reported in the Governmental Funds

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only 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 funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. As of September 30, 2019, the City reported unavailable revenue from property taxes in the amount of \$141,598 and unavailable revenue in the amount of \$51,322 from municipal court receivables.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

h. Deferred Inflows and Outflows of Resources in the Statement of Net Position

In addition to assets and liabilities, the statements of net position will sometimes report a separate sections for deferred inflows and outflows 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 amounts reported by the City in this section of the government-wide statement of net position all related to pension plans reported by the county, except for deferred charges on refunding as recognized by the City in prior periods. The deferred charge is related to a bond refunding on Canadian River Municipal Water Authority (CRMWA) and is being amortized to interest expense over the life of the new bond issuance. As of September 30, 2019 the City reported \$34,157 as unamortized deferred charges on refunding. For more information on the pension related deferred inflows and outflows of resources, see their respective notes.

i. Compensated Absences

Compensated absences (general leave) for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid for any accrued general leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

j. Revenues

Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue. The City also recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements related to grants, including time requirements, are met. The City records revenue earned but unbilled related to water and wastewater and solid waste utilities, this amount is reported as accounts receivable in the financial statements with the details disclosed in the notes. Resources transmitted before the eligibility requirements are met are reported as cash paid in advance by the provider and deferred inflows of resources by the City.

k. Expenditures

Expenditures are recognized when the related fund liability is incurred. In accordance with GASB 63 and 65, any loss on bond refunding is recognized as a deferred outflow of resources on the statement of net position and amortized over the life of the refunding bonds. In addition, bond issue costs are immediately expensed.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

I. 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.

Transfers and Interfund Payables and Receivables are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

m. Use of Estimates

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

n. Encumbrances

The City does not utilize an encumbrance accounting system. At year-end, the City reviews commitments to determine amounts encumbered. At September 30, 2019, there were no material commitments to be indicated by a reserve in the general fund balance.

B. Deposits and Investments

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

1. Cash and Cash Equivalents

At September 30, 2019, the carrying amount of the City's cash and cash equivalents (including restricted) was \$8,074,020. The balances includes cash in bank of \$3,818,747, \$262,646 invested in TexStar, \$3,353,504 invested in certificate of deposits, and \$639,123 of restricted certificates of deposit, with a bank balance of \$8,008,792. The City's cash and cash equivalents at September 30, 2019, and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must 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 (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

3. Analysis of Specific Deposit and Investment Risks

Standards require 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. At year end, the City's investments were not 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's only investments were certificates of deposit which were fully covered by pledge collateral at year end.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

C. Due to EDC's and Due from City

The City recorded a liability to the component units in the amount of \$107,218 for sales taxes not passed through as of September 30, 2019.

D. Water Rights and Related Debt with CRMWA

The City, along with several West Texas municipalities, entered into various contracts with the Canadian River Municipal Water Authority, to participate in the construction and maintenance of water gathering, holding, treatment, and transmission facilities. Under the agreements, CRMWA agreed to issue revenue bonds to finance construction and maintenance of the facilities and the City agreed to pay back their share of the total annual debt service requirements.

The following schedules comprise the debt outstanding related to the CRMWA contracts as September 30, 2019:

<u>Water Facilities Debt</u>	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 9/30/2019</u>
Series 2010, Refunding, CUP	\$ 40,717	\$	\$ 26,382	\$ 14,335
Series 2012, Refunding, BUREC	868,538		28,504	840,034
Series 2017, Refunding CUP	246,227		21,381	224,846
Series 2011, Refunding, CUP	1,338,783		82,540	1,256,243
Series 2014, Refunding, CUP	651,051		139,297	511,754
	<u>\$ 3,145,316</u>	<u>\$ 0</u>	<u>\$ 298,104</u>	<u>\$ 2,847,212</u>

<u>Water Facilities Debt</u>	<u>Maturity</u>	<u>Interest Rates</u>
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2006	2020	2.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2017	2029	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2010	2021	3.0%-3.5%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2011	2031	3.0%-5.0%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2012	2025	2.6%
Revenue Refunding Bonds, Conjunctive Use Groundwater Supply Project, Series 2014	2027	2.0%-5.0%

The City paid \$147,799 in interest related to this debt for the year ended September 30, 2019.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Year Ending September 30,	CMRWA		
	Principal	Interest	Total
2020	\$ 312,342	\$ 137,279	\$ 449,621
2021	323,254	176,630	499,884
2022	339,147	106,818	445,965
2023	355,872	90,119	445,991
2024	373,948	72,417	446,365
2025-2029	981,358	157,675	1,139,033
2030-2031	161,291	10,334	171,625
Totals	\$ <u>2,847,212</u>	\$ <u>751,272</u>	\$ <u>3,598,484</u>

Investment in water facilities at cost as of September 30, 2019 is as follows:

Cost:	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/Other</u>	<u>Ending</u>
CRMWA - Water Rights	\$ 6,680,247	\$	\$	\$ 6,680,247
Accumulated Amortization:				
CRMWA - Water Rights	<u>(3,713,980)</u>	<u>(344,034)</u>		<u>(4,058,014)</u>
Net Investment in Water Facilities	\$ <u>2,966,267</u>	\$ <u>(344,034)</u>	\$ <u>0</u>	\$ <u>2,622,233</u>
Total Related Debt:				\$ <u>2,847,212</u>
Excess Debt over Related Water Rights				\$ <u>(224,979)</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

E. Capital Assets

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

Governmental Activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 14,988			\$ 14,988
Construction in Progress	<u>0</u>	<u>39,438</u>		<u>39,438</u>
Total Capital Assets Not Being Depreciated	<u>\$ 14,988</u>	<u>\$ 39,438</u>	<u>\$ 0</u>	<u>\$ 54,426</u>
Depreciable Assets				
Buildings	\$ 2,532,103	\$ 51,010		\$ 2,583,113
Improvements Other than Buildings	2,197,982			2,197,982
Machinery and Equipment	<u>3,462,827</u>	<u>784,129</u>		<u>4,246,956</u>
Total Capital Assets Being Depreciated	<u>\$ 8,192,912</u>	<u>\$ 835,139</u>	<u>\$ 0</u>	<u>\$ 9,028,051</u>
Less Accumulated Depreciation for:				
Buildings	\$ 596,926	\$ 92,214		\$ 689,140
Improvements Other than Buildings	688,371	100,021		788,392
Machinery and Equipment	<u>2,649,732</u>	<u>395,633</u>		<u>3,045,365</u>
Total Accumulated Depreciation	<u>\$ 3,935,029</u>	<u>\$ 587,868</u>	<u>\$ 0</u>	<u>\$ 4,522,897</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,257,883</u>	<u>\$ 247,271</u>	<u>\$ 0</u>	<u>\$ 4,505,154</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,272,871</u>	<u>\$ 286,709</u>	<u>\$ 0</u>	<u>\$ 4,559,580</u>

Depreciation was charged to the governmental activities as follows:

Administration	\$ 11,119
General Government	33,743
Tourism	12,863
Fire	126,703
Streets	62,976
Vehicle Services	52,425
Police	103,416
Parks and Recreation	<u>184,623</u>
Total Depreciation	<u>\$ 587,868</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Business-Type Activities:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 352,320	\$ 16,918	\$	\$ 369,238
Total Capital Assets Not Being Depreciated	\$ 352,320	\$ 16,918	\$ 0	\$ 369,238
Depreciable Assets				
Buildings	\$ 2,572,550	\$	\$	\$ 2,572,550
Improvements other than Buildings	10,292,586			10,292,586
Machinery and Equipment	7,670,058	392,898		8,062,956
Infrastructure	6,816,493			6,816,493
Total Capital Assets Being Depreciated	\$ 27,351,687	\$ 392,898	\$ 0	\$ 27,744,585
Less Accumulated Depreciation for:				
Buildings	\$ 1,899,227	\$ 110,297	\$	\$ 2,009,524
Improvements other than Buildings	5,635,342	324,943		5,960,285
Machinery and Equipment	6,144,987	389,704		6,534,691
Infrastructure	1,604,464	170,411		1,774,875
Total Accumulated Depreciation	\$ 15,284,020	\$ 995,355	\$ 0	\$ 16,279,375
Total Capital Assets Being Depreciated, Net	\$ 12,067,667	\$ (602,457)	\$ 0	\$ 11,465,210
Business-Type Activities Capital Assets, Net	\$ 12,419,987	\$ (585,539)	\$ 0	\$ 11,834,448

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

F. Noncurrent Liabilities

1. Noncurrent Liabilities Activity

Noncurrent liabilities include debt, net pension liability, and accrued compensated absences. Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 57,765	\$	\$ 57,765	\$	\$
Capital Leases	154,915	459,715	96,684	517,946	140,140
Compensated Absences	91,353		16,123	75,230	18,808
Total Governmental Activities	\$ 304,033	\$ 459,715	\$ 170,572	\$ 593,176	\$ 158,948
Business-Type Activities:					
Notes Payable	\$ 5,097,237	\$	\$ 588,235	\$ 4,509,002	\$ 348,000
CRMWA Bonds Payable	3,145,316		298,104	2,847,212	312,342
Bond Issuance Premiums	82,167		18,215	63,952	
Capital Leases	2,286,394	306,567	332,882	2,260,079	354,917
Compensated Absences	82,267		314	81,954	20,489
Total Business-Type Activities	\$ 10,693,381	\$ 306,567	\$ 1,237,750	\$ 9,762,199	\$ 1,035,748

The City also amortized \$18,440 of deferred charges on refunding to interest expense during the year ended September 30, 2019.

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

Liability	Activity Type	Fund
Compensated Absences	Governmental	General
Compensated Absences	Business-Type	Proprietary
Closure and Post Closure Costs	Governmental	Proprietary
Net Pension Liability	Governmental	General
Net Pension Liability	Business-Type	Proprietary

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

The issues dates, maturity dates, and interest rates applicable for notes payable and capital leases are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>
Governmental Activities:					
Capital Leases:					
2017 Dump Truck	7/10/2017	\$ 94,676	3.10%	2/28/2022	\$ 57,963
2017 Toro Mower	5/5/2017	35,096	0.00%	5/5/2022	17,622
2018 Utility Vehicle	2/28/2018	21,000	6.60%	2/29/2020	6,851
2018 Tahoe Police Cruiser	4/5/2018	54,221	5.92%	4/5/2021	27,066
2018 Fire Truck	6/1/2018	125,000	4.75%	2/15/2023	100,881
3 Kubota Mowers	10/1/2018	54,199	3.33%	10/1/2022	42,407
2 2019 Tahoe Police Cruisers	1/31/2019	128,000	4.24%	1/31/2023	128,000
Chevrolet Silverado	1/14/2019	28,063	5.26%	1/14/2023	25,619
2 Chevrolet Silverardos	1/14/2019	32,635	5.26%	1/14/2023	29,355
2 Chevrolet Silverardos	1/14/2019	63,328	5.26%	1/14/2023	56,959
2 Chevrolet Silverardos	1/14/2019	28,490	5.26%	1/14/2023	25,223
		<u>\$ 664,708</u>			<u>\$ 517,946</u>
Business-Type Activities:					
Notes Payable:					
USDA Note 2002	11/21/2006	\$ 5,034,000	4.25%	12/1/2014	\$ 4,248,000
Tax Note 2013	3/17/2013	700,000	1.64%	3/1/2020	106,000
Tax Note 2014	11/24/2014	415,750	1.00%-1.80%	3/1/2019	155,002
Capital Leases:					
AAIG Water Meter Lease	4/28/2017	1,790,371	3.37%	5/1/2029	1,511,168
924K Caterpillar Wheel Loader	5/6/2015	145,110	2.75%	5/31/2022	101,113
2016 Mack GU713 Refuse Truck	1/19/2016	219,481	3.00%	4/19/2020	45,513
Caterpillar Bull Dozer	2/24/2015	197,913	2.75%	12/31/2019	41,634
2017 CAT Backhoe Loader	3/1/2017	87,490	3.20%	2/1/2022	54,139
2017 Golf Carts	4/13/2017	85,680	3.49%	4/22/2017	59,844
2017 Toro Mower	6/5/2017	61,080	0.00%	6/5/2022	32,576
2018 Refuse Truck with Sideloader	10/1/2017	215,526	5.26%	3/30/2022	131,947
2 Chevrolet Silverardos	1/14/2019	32,635	5.26%	1/14/2023	29,355
2 Chevrolet Silverardos	1/14/2019	42,734	5.26%	1/14/2023	38,839
Skid Steer	3/1/2019	42,970	5.23%	12/1/2021	37,098
Motor Grader 2019	2/4/2019	188,228	5.05%	9/1/2023	176,853
		<u>\$ 9,258,968</u>			<u>\$ 6,769,081</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

2. Debt Service Requirements

Debt service requirements on notes payable as of September 30, 2019, are as follows:

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 348,000	\$ 182,273	\$ 530,273
2021	91,000	174,909	265,909
2022	94,000	170,978	264,978
2023	98,000	166,898	264,898
2024	103,000	162,627	265,627
2025-2029	582,000	742,348	1,324,348
2030-2034	717,000	604,880	1,321,880
2035-2039	884,000	435,411	1,319,411
2040-2044	1,089,000	226,421	1,315,421
2045-2047	503,002	21,611	524,613
Totals	\$ <u>4,509,002</u>	\$ <u>2,888,356</u>	\$ <u>7,397,358</u>

3. Capital Leases

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Small Equipment	\$ 89,295	\$ 1,589,064
Vehicles	480,737	75,369
Heavy Equipment	94,676	1,072,386
Less: Accumulated Depreciation	<u>(155,371)</u>	<u>(919,052)</u>
Totals	\$ <u>509,337</u>	\$ <u>1,817,767</u>

During the year ended September 30, 2019, capital lease assets accounted for \$591,862 of depreciation expense for governmental and business-type activities, respectively.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2019, as follows:

Year Ending September 30, 2019	Governmental Activities		
	Principal	Interest	Total
2020	\$ 140,140	\$ 21,430	\$ 161,570
2021	138,741	16,569	155,310
2022	120,443	10,514	130,957
2023	94,419	5,228	99,647
2024	20,373	4,319	24,692
2025	3,830	75	3,905
Total Minimum Rentals	\$ 517,946	\$ 58,135	\$ 576,081

Year Ending September 30, 2019	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 354,917	\$ 75,797	\$ 430,714
2021	276,461	65,170	341,631
2022	383,276	54,691	437,967
2023	308,950	42,406	351,356
2024	269,382	31,693	301,075
2025-2029	667,093	66,690	733,783
Total Minimum Rentals	\$ 2,260,079	\$ 336,447	\$ 2,596,526

G. Pension Plans

Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75.00% of the member’s deposits and interest.

Currently the City has adopted the following provisions related to the pension plan:

	December 31, 2018
Employee Deposit Rate	7.00%
Matching Ratio (City to Employee)	1.5 to 1
Years Required for Vesting	5
Service Requirement Eligibility (Expressed as Age / Years of Service)	60/5,0/25
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	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	54
Inactive Employees Entitled to but not Yet Receiving Benefits	66
Active Employees	74
Total Plan Employees	194

Contributions

The contribution rates for employees in TMRS are either 5.00%, 6.00%, or 7.00% of employee gross earnings, and the city matching percentages are either 100.00%, 150.00%, or 200.00%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The required contribution rate for the City was 4.71% and 4.45% in calendar years 2018 and 2019, respectively. The City’s contributions to TMRS for the year ended September 30, 2019, were \$160,475, and were equal to the required contributions.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Net Pension Liability

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

Actuarial Assumptions

Inflation	2.50% per year
Overall Payroll Growth	2.40% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Amortization Period	25 years

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

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
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	5.00%	7.75%

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.

Changes in Net Pension Asset/Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Liability)/Asset
Balance 12/31/2017	\$ 15,328,469	\$ 16,302,113	\$ 973,644
Service Cost	402,028		(402,028)
Interest (on the Total Pension Liability)	1,000,983		(1,000,983)
Changes in Proportionate Share	(5,220)		5,220
Difference Between Expected and Actual Experience	20,450		(20,450)
Contributions - Employee		157,272	157,272
Contributions - Employer		233,737	233,737
Net Investment Income		(482,183)	(482,183)
Benefit Payments	(1,035,570)	(1,035,570)	
Administrative Expense		(9,335)	(9,335)
Other		(493)	(493)
Balance 12/31/2018	<u>\$ 15,711,140</u>	<u>\$ 15,165,541</u>	<u>\$ (545,599)</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

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

The following presents the net pension asset/(liability) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension asset/(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:

<u>1% Decrease</u>	<u>Current Rate Assumption</u>	<u>1% Increase</u>
\$ (2,298,636) \$	(545,599) \$	924,750

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.

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$409,403 and calculated as shown below:

Total Service Cost	\$ 402,028
Interest on the Total Pension Liability	1,000,983
Employee Contributions (Reduction of Expense)	(233,737)
Projected Earnings on Plan Investments (Reduction of Expense)	(1,088,438)
Administrative Expense	9,335
Other Changes in Fiduciary Net Position	488
Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(26,823)
Recognition of Current Year Outflow (Inflow) of Resources-Assets	<u>345,567</u>
Total Pension Expense	<u>\$ 409,403</u>

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

<u>Deferred Outflows and Inflows of Resources - Pension Plan</u>	<u>Plan Year</u>	<u>Amount</u>	<u>Amortization Period</u>
Employer Contribution Deferrals	2019	\$ 114,332	1.000
Differences Between Projected and Actual Investment Earnings	2015	202,619	1.000
Differences Between Projected and Actual Investment Earnings	2016	18	2.000
Differences Between Projected and Actual Investment Earnings	2017	(625,520)	3.000
Differences Between Projected and Actual Investment Earnings	2018	1,256,498	4.000
Differences Between Expected and Actual Economic Experience	2016	(6,992)	0.120
Differences Between Expected and Actual Economic Experience	2017	(35,866)	1.600
Differences Between Expected and Actual Economic Experience	2018	<u>14,018</u>	2.280
Total Deferred Outflows and Inflows of Resources		<u>\$ 919,107</u>	

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year	Amortization of Deferred Outflows
2019	\$ 393,994
2020	104,211
2021	106,777
2022	314,125
	\$ 919,107

Texas Emergency Services Retirement System (TESRS)

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) and established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2018, there were 238 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2018, the pension system membership consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3,533
Inactive Employees Entitled to but not Yet Receiving Benefits	1,927
Active Employees	3,927
Total Plan Employees	9,387

Pension Plan Fiduciary Net Position

Detailed information about TESRS's fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, and can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2018, the Part Two contribution rate was changed to 2.0%, which will be established by a board rule in September 2017, since the second actuarial valuation report after adoption of the rules showed TESRS to not have adequate contribution arrangements if Part Two contributions were excluded.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2018, total contributions (dues, prior service, and interest on prior service financing) of \$69,576 were paid by the City. The State appropriated \$1,329,219 for the fiscal year ending August 31, 2018 to the plan as a whole.

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation
Amortization Period	30 years
Actuarial Valuation Date	August 31, 2018

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.22% for adverse deviation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large Cap Domestic	32.00%	5.81%
Small Cap Domestic	15.00%	5.92%
Developed International	15.00%	6.21%
Emerging Markets	5.00%	7.18%
Master Limited Partnership	5.00%	7.61%
Real Estate	5.00%	4.46%
Fixed Income	23.00%	1.61%

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that department and state 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.

Changes in Net Pension Liability and Discount Rate Sensitivity Analysis

The following table shows changes in the net pension liability from August 31, 2017 to August 31, 2018:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance 08/31/2017	\$ 1,361,511	\$ 1,108,427	\$ (253,084)
Service Cost	23,149		(23,149)
Interest (on the Total Pension Liability)	143,879		(143,879)
Changes in Proportionate Share	513,453	408,638	(104,815)
Changes in Benefit Terms	(1,314)		1,314
Changes of Assumptions	41,044		(41,044)
Contributions by Participating Departments		69,576	69,576
Contributions by State		19,310	19,310
Net Investment Income		164,358	164,358
Benefit Payments	(84,833)	(84,833)	
Administrative Expense		(2,298)	(2,298)
Other	810		(810)
Balance 08/31/2018	<u>\$ 1,997,699</u>	<u>\$ 1,683,178</u>	<u>\$ (314,521)</u>

The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 7.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

<u>1% Decrease</u>	<u>Current Rate Assumption</u>	<u>1% Increase</u>
\$ (625,049)	\$ (314,521)	\$ (105,078)

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

Pension Expense, Deferred Outflows, and Deferred Inflows Related to Pensions

At August 31, 2018, the City reported a liability of \$314,521 for its proportionate share of TESRS's NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's Proportionate Share of the Collective Net Pension Liability	\$	314,521
* State's Proportionate Share that is Associated with the City		87,291
	\$	<u>401,812</u>

*Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. GASB Statement No. 68 requires the NPL to be measure as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information to for the participants to roll forward) the NPL to be measured as of date no earlier than the end of the employer's prior fiscal year. While the City acknowledges that the measurement date does not fall with in this 12 month period, the City elected to use conservatism and report the NPL measured as of August 31, 2018. The City used the assumption that any differences in the NPL measured as of August 31, 2018 versus September 30, 2019 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 to August 31, 2018.

At August 31, 2018, the employer's proportion of the collective NPL was 1.4527%, which was an increase of 0.4486% percent from its proportion measured as of August 31, 2017.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2018, the City recognized pension expense of \$99,706.

Total Service Cost	\$	23,149
Interest on the Total Pension Liability		143,879
Projected Earnings on Plan Investments (Reduction of Expense)		(117,239)
Administrative Expense		2,297
Amortization of Deferred Outflows (Inflows):		
Differences Between Projected and Actual Investment Earnings		2,781
Differences Between Expected and Actual Economic Experience		(123)
Changes in Assumptions and Benefit Terms		44,962
Total Pension Expense	\$	<u>99,706</u>

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

At August 31, 2018, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources - Pension Plan</u>	<u>Deferred (Inflows) and Outflows</u>
Differences Between Projected and Actual Investment Earnings	\$ (17,383)
Differences Between Expected and Actual Economic Experience	(819)
Changes in Assumptions	<u>1,175</u>
Total Deferred Outflows of Resources	<u>\$ (17,027)</u>

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

<u>Plan Year</u>	<u>Amortization of Deferred Outflows</u>
2019	\$ 20,265
2020	(11,276)
2021	(16,594)
2022	<u>(9,422)</u>
	<u>\$ (17,027)</u>

H. Closure and Post Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$581,817 reported as landfill closure and post closure care liability at September 30, 2019, represents the cumulative amount reported to date based on the use of 38.80% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$856,675 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care at September 30, 2019. Actual costs in the future may be higher due to inflation, changes in technology, or changes in regulations. The City has restricted cash equivalents in the amount of \$639,123 to cover the landfill closure and post closure care liability at September 30, 2019.

CITY OF LAMESA, TEXAS

NOTES TO FINANCIAL STATEMENTS

I. Transfers and Internal Balances

Transfers for the year ended September 30, 2019 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount Transferred In/Out</u>	<u>Reason</u>
Water and Wastewater	General	\$ 379,502	Administration Fees and Payments in Lieu of Taxes
Solid Waste	General	341,230	Administration Fees and Payments in Lieu of Taxes
		<u>\$ 720,732</u>	

Internal balances for the year ended September 30, 2019 were as follows:

<u>Payable</u>	<u>Receivable</u>	<u>Amount Payable/ Receivable</u>	<u>Reason</u>
General	Proprietary Funds	\$ (32,147)	Unreimbursed year end accruals
Municipal Golf Course	Internal Service	128,771	Short Term Loan for Renovations
		<u>\$ 96,624</u>	

J. Commitments, Contingencies, Litigation, and Subsequent Events

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

There is no pending litigation against the City as of September 30, 2019, that would have material effect on the financial statements.

3. Subsequent Events

Subsequent to year end the City issued General Obligation refunding bonds in the amount of \$3,925,000. The new bonds carry interest rates ranging from 3.00% - 4.00%. The refunding bonds paid off Series 2006, Comb Tax and Comb Water, and Wastewater System Revenue Certificates of Obligation.

Subsequent to year end the City issued Limited Tax Note, Series 2019, in the amount of \$1,609,000. The tax notes carry an interest rate of 1.94%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMESA, TEXAS
DEFINED BENEFIT RETIREMENT PLAN - TMRS

EXHIBIT B-1

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 282,891	\$ 347,047	\$ 385,200	\$ 378,238	\$ 402,028
Interest	942,356	952,107	957,835	979,170	1,000,983
Benefit Payments	(936,288)	(838,328)	(863,787)	(1,034,312)	(1,035,570)
Differences Between Expected and Actual Experience	(58,046)	(210,717)	(41,952)	(91,907)	20,450
Changes in Assumptions		378,081			
Changes in Proportionate Share		12,187	107	(339)	(5,220)
Net Change	\$ 230,913	\$ 640,377	\$ 437,403	\$ 230,850	\$ 382,671
Beginning Balance	<u>13,788,926</u>	<u>14,019,839</u>	<u>14,660,216</u>	<u>15,097,619</u>	<u>15,328,469</u>
Ending Balance	\$ <u>14,019,839</u>	\$ <u>14,660,216</u>	\$ <u>15,097,619</u>	\$ <u>15,328,469</u>	\$ <u>15,711,140</u>
	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>	<u>Fiduciary Net Position</u>
Employee Contributions	\$ 111,570	\$ 123,611	\$ 115,147	\$ 129,241	\$ 157,272
Employer Contributions	206,611	230,866	223,767	220,642	233,737
Net Investment Income	845,908	21,871	965,856	2,034,774	(482,183)
Benefit Payments	(936,288)	(838,328)	(863,787)	(1,034,312)	(1,035,570)
Administration Expenses	(8,834)	(13,323)	(10,921)	(10,558)	(9,335)
Other	<u>(727)</u>	<u>(658)</u>	<u>(588)</u>	<u>(535)</u>	<u>(493)</u>
Net Change	\$ 218,240	\$ (475,961)	\$ 429,474	\$ 1,339,252	\$ (1,136,572)
Beginning Balance	<u>14,791,108</u>	<u>15,009,348</u>	<u>14,533,387</u>	<u>14,962,861</u>	<u>16,302,113</u>
Ending Balance	\$ <u>15,009,348</u>	\$ <u>14,533,387</u>	\$ <u>14,962,861</u>	\$ <u>16,302,113</u>	\$ <u>15,165,541</u>
Net Pension Liability (Asset)	\$ <u>(989,509)</u>	\$ <u>126,829</u>	\$ <u>134,758</u>	\$ <u>(973,644)</u>	\$ <u>545,599</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	107.06%	99.13%	99.11%	106.35%	96.53%
Covered Payroll	\$ 2,951,577	\$ 3,018,839	\$ 3,196,675	\$ 3,152,025	\$ 3,339,101
Net Pension Liability as a Percentage of Covered Payroll	-33.52%	4.20%	4.22%	-30.89%	16.34%

Note: Only five years of GASB 68 data available as of 12/31/2018. The remaining five years of data will be built on a go forward basis.

CITY OF LAMESA, TEXAS
DEFINED BENEFIT RETIREMENT PLAN - TMRS

EXHIBIT B-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
Actuarially Determined Contribution	\$ 108,392	\$ 115,527	\$ 126,561	\$ 151,708	\$ 160,475
Actual Contributions	<u>108,392</u>	<u>131,856</u>	<u>126,561</u>	<u>151,708</u>	<u>160,475</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ (16,329)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cover Payroll	\$ 2,951,577	\$ 3,173,266	\$ 3,117,705	\$ 3,408,655	\$ 3,552,511
Contributions as a Percentage of Covered Employee Payroll	3.67%	4.16%	4.06%	4.45%	4.52%

Note: Only five years of GASB 68 data available as of 09/30/2019. The remaining five years of data will be built on a go forward basis.

CITY OF LAMESA, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2019

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 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes	There were no benefit changes during the year.
Changes in Assumptions	There were no changes in assumptions during the year.

CITY OF LAMESA, TEXAS
DEFINED BENEFIT RETIREMENT PLAN - TESRS

EXHIBIT B-3

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

	<u>8/31/2015</u>	<u>8/31/2016</u>	<u>8/31/2017</u>	<u>8/31/2018</u>
	Total Pension Liability	Total Pension Liability	Total Pension Liability	Total Pension Liability
Service Cost	\$ 17,575	\$ 17,011	\$ 16,802	\$ 23,149
Interest	87,872	89,382	99,836	143,879
Benefit Payments	(46,669)	(47,209)	(53,062)	(84,833)
Differences Between Expected and Actual Experience		649		(1,314)
Changes in Benefit Terms		7,250		41,044
Changes in Assumptions		8,936		
Changes in Proportionate Share		(39,275)	61,199	513,453
Other		810	810	810
Net Change	\$ 58,778	\$ 37,554	\$ 125,585	\$ 636,188
Beginning Balance	<u>1,139,594</u>	<u>1,198,372</u>	<u>1,235,926</u>	<u>1,361,511</u>
Ending Balance	\$ <u>1,198,372</u>	\$ <u>1,235,926</u>	\$ <u>1,361,511</u>	\$ <u>1,997,699</u>
	<u>Fiduciary</u>	<u>Fiduciary</u>	<u>Fiduciary</u>	<u>Fiduciary</u>
	Net Position	Net Position	Net Position	Net Position
Contributions by Participating Departments	\$ 49,000	\$ 46,000	\$ 51,000	\$ 69,576
Contributions from State	16,985	15,903	16,700	19,310
Net Investment Income	34,159	49,769	103,086	164,358
Benefit Payments	(46,669)	(47,209)	(53,062)	(84,833)
Administration Expenses	(2,240)	(1,676)	(1,943)	(2,297)
Change in Proportionate Share				408,638
Other	<u>(96,545)</u>	<u>(40,799)</u>	49,185	
Net Change	\$ (45,310)	\$ 21,988	\$ 164,966	\$ 574,752
Beginning Balance	<u>966,783</u>	<u>921,473</u>	<u>943,461</u>	<u>1,108,427</u>
Ending Balance	\$ <u>921,473</u>	\$ <u>943,461</u>	\$ <u>1,108,427</u>	\$ <u>1,683,179</u>
Net Pension Liability (Asset)	\$ <u>276,899</u>	\$ <u>292,465</u>	\$ <u>253,084</u>	\$ <u>314,521</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	76.89%	76.34%	81.41%	84.26%
Covered Payroll	\$ 2,951,577	\$ 3,018,839	\$ 3,196,675	\$ 3,152,025
Net Pension Liability as a Percentage of Covered Payroll	9.38%	9.69%	7.92%	9.98%

Note: Only four years of GASB 68 data available as of 08/31/2019. The remaining six years of data will be built on a go forward basis.

**CITY OF LAMESA, TEXAS
DEFINED BENEFIT RETIREMENT PLAN - TESRS**

EXHIBIT B-4

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
Actuarially Determined Contribution	\$ 49,000	\$ 46,000	\$ 48,400	\$ 75,576	\$ 48,224
Actual Contributions	<u>49,000</u>	<u>46,000</u>	<u>48,400</u>	<u>75,576</u>	<u>48,224</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cover Payroll	\$ 2,951,577	\$ 3,173,266	\$ 3,173,266	\$ 3,408,655	\$ 3,552,511
Contributions as a Percentage of Covered Employee Payroll	1.66%	1.45%	1.53%	2.22%	1.36%

Note: Only five years of GASB 68 data available as of 09/30/2019. The remaining five years of data will be built on a go forward basis.

CITY OF LAMESA, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2019

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of August 31 and become effective in September, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value Smoothed by a 5 years deferred recognition method with an 80%/120% corridor on Market Value
Inflation	3.00%
Salary Increases	Not Applicable
Net Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

Other Information:

Notes	There were no benefit changes during the year.
Changes in Assumptions	There were no changes in assumptions during the year.

CITY OF LAMESA, TEXAS

EXHIBIT B-5

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

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 2,240,421	\$ 2,240,421	\$ 2,344,630	\$ 104,209
General Sales Taxes	1,021,500	1,021,500	1,185,491	163,991
Gross Receipts Business Taxes	485,500	485,500	371,967	(113,533)
Licenses and Permits	27,350	27,350	47,994	20,644
Charges for Services	15,850	15,850	18,271	2,421
Fines and Fees	73,000	73,000	100,000	27,000
Investment Earnings	5,000	5,000	55,025	50,025
Intergovernmental	208,157	208,157	212,480	4,323
Use of Money and Property	27,000	27,000	29,672	2,672
Miscellaneous	202,630	396,260	427,894	31,634
Total Revenues	<u>\$ 4,306,408</u>	<u>\$ 4,500,038</u>	<u>\$ 4,793,424</u>	<u>\$ 293,386</u>
Expenditures:				
Current:				
Administration	\$ 388,391	\$ 393,917	\$ 518,094	\$ (124,177)
General Government		(577,718)	556,656	(1,134,374)
Fire	597,204	766,352	832,989	(66,637)
Streets	745,892	599,115	594,580	4,535
Vehicle Services	37,721	37,096	92,900	(55,804)
Police	1,734,669	1,932,679	2,073,573	(140,894)
Parks and Recreation	852,896	910,476	893,701	16,775
Debt Service:				
Principal	122,260	122,260	154,449	(32,189)
Interest and Fiscal Charges	15,902	15,902	15,163	739
Total Expenditures	<u>\$ 4,494,935</u>	<u>\$ 4,200,079</u>	<u>\$ 5,732,105</u>	<u>\$ (1,532,026)</u>
Deficit of Revenues Over Expenditures	<u>\$ (188,527)</u>	<u>\$ 299,959</u>	<u>\$ (938,681)</u>	<u>\$ (1,238,640)</u>
Other Financing Sources (Uses):				
Transfers In	\$	\$	\$ 720,732	\$ 720,732
Capital Lease Proceeds			459,715	459,715
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,180,447</u>	<u>\$ 1,180,447</u>
Net Change in Fund Balances	<u>\$ (188,527)</u>	<u>\$ 299,959</u>	<u>\$ 241,766</u>	<u>\$ (58,193)</u>
Fund Balances - Beginning	<u>3,108,354</u>	<u>3,108,354</u>	<u>3,108,354</u>	
Fund Balances - Ending	<u>\$ 2,919,827</u>	<u>\$ 3,408,313</u>	<u>\$ 3,350,120</u>	

CITY OF LAMESA, TEXAS

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY DATA
SEPTEMBER 30, 2019**

BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end. The legal level of control is at the function level. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Annual budgets were adopted for all governmental funds.

COMBINING STATEMENTS

CITY OF LAMESA, TEXAS

EXHIBIT C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue						Total Nonmajor Governmental Funds (See Exhibit A-3)	
	Forfeited Property Fund	Hotel/Motel Occupancy Tax	State Agency Fund	Criminal Justice Fund	Community Development Block Grant	Other Restricted Funds		General Special Revenue Grants
ASSETS:								
Cash and Cash Equivalents	\$ 10,470	\$ 195,734	\$ 12,510	\$ 3,897	\$ 2,821	\$ 36,260	\$ 93,435	\$ 355,127
Receivables, Net of Allowances		25,851						25,851
Total Assets	<u>\$ 10,470</u>	<u>\$ 221,585</u>	<u>\$ 12,510</u>	<u>\$ 3,897</u>	<u>\$ 2,821</u>	<u>\$ 36,260</u>	<u>\$ 93,435</u>	<u>\$ 380,978</u>
LIABILITIES:								
Accounts Payable	\$	\$	\$ 12,510	\$	\$	\$	\$	\$ 12,510
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,510</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,510</u>
FUND BALANCES:								
Restricted for Enabling Legislation	\$ 10,470	\$ 221,585	\$	\$ 3,897	\$ 2,821	\$ 36,260	\$ 93,435	\$ 368,468
Total Fund Balances	<u>\$ 10,470</u>	<u>\$ 221,585</u>	<u>\$ 0</u>	<u>\$ 3,897</u>	<u>\$ 2,821</u>	<u>\$ 36,260</u>	<u>\$ 93,435</u>	<u>\$ 368,468</u>
Total Liabilities and Fund Balances	<u>\$ 10,470</u>	<u>\$ 221,585</u>	<u>\$ 12,510</u>	<u>\$ 3,897</u>	<u>\$ 2,821</u>	<u>\$ 36,260</u>	<u>\$ 93,435</u>	<u>\$ 380,978</u>

CITY OF LAMESA, TEXAS

EXHIBIT C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue						Total Nonmajor Governmental Funds (See Exhibit A-5)
	Forfeited Property Fund	Hotel/Motel Occupancy Tax	State Agency Fund	Criminal Justice Fund	Community Development Block Grant	Other Restricted Funds	
Revenue:							
Taxes							
Gross Receipts Business Taxes	\$	\$	\$	\$	\$	\$ 2,610	\$ 2,610
Motel Occupancy Taxes		152,194					152,194
Fines, Fees and Forfeits						4,431	4,431
Investment Earnings		1,153					1,153
Intergovernmental					72,282		337,295
Miscellaneous	1					265,013	1
Total Revenue	\$ 1	\$ 153,347	\$ 0	\$ 0	\$ 72,282	\$ 7,041	\$ 265,013
Expenditures:							
Current							
General Government	\$	\$	\$	\$	\$ 72,282	\$ 4,332	\$ 76,614
Tourism		123,020					123,020
Parks and Recreation						195,394	195,394
Airport						35,622	35,622
Total Expenditures	\$ 0	\$ 123,020	\$ 0	\$ 0	\$ 72,282	\$ 4,332	\$ 231,016
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1	\$ 30,327	\$ 0	\$ 0	\$ 0	\$ 2,709	\$ 33,997
Transfers:							
Transfers Out	\$	\$ (4,500)	\$	\$	\$	\$	\$ (4,500)
Total Transfers	\$ 0	\$ (4,500)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (4,500)
Fund Balances - Beginning	\$ 10,469	\$ 195,758	\$ 0	\$ 3,897	\$ 2,821	\$ 33,551	\$ 59,438
Fund Balances - Ending	\$ 10,470	\$ 221,585	\$ 0	\$ 3,897	\$ 2,821	\$ 36,260	\$ 93,435

CITY OF LAMESA, TEXAS

EXHIBIT C-3

HOUSING ASSISTANCE PROGRAM
PHA CODE: TX535
PHA NAME: LAMESA HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
BALANCE SHEET
SEPTEMBER 30, 2019

<u>Line Item</u>		<u>HAP Fund</u>
	ASSETS:	
111	Cash and Cash Equivalents	\$ <u>26,501</u>
110	Total Cash	\$ <u>26,501</u>
150	Total Current Assets	\$ <u>26,501</u>
	Noncurrent Assets:	
	Fixed Assets:	
164	Furniture, Equipment and Machinery	\$ 21,359
166	Accumulated Depreciation	<u>(21,359)</u>
160	Total Fixed Assets, Net	\$ <u>0</u>
190	Total Assets	\$ <u><u>26,501</u></u>
	LIABILITIES:	
333	Accounts Payable	\$ <u>10,715</u>
	Total Liabilities	\$ <u>10,715</u>
	NET POSITION:	
511.1	Restricted Net Position	\$ 1,295
512.1	Unrestricted Net Position	<u>14,491</u>
	Total Net Position	\$ <u><u>15,786</u></u>
600	Total Liabilities and Net Position	\$ <u><u>26,501</u></u>

CITY OF LAMESA, TEXAS

EXHIBIT C-4

HOUSING ASSISTANCE PROGRAM
PHA CODE: TX535
PHA NAME: LAMESA HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE
SEPTEMBER 30, 2019

<u>Line Item</u>		<u>HAP Fund</u>
	Operating Revenue:	
706	HUD PHA Operating Grants	\$ 456,403
711	Investment Income	789
700	Total Operating Revenue:	<u>\$ 457,192</u>
	Operating Expenses:	
911	Administrative Salaries	\$ 44,500
916	Other General Expenses	19,886
912	Accounting and Audit Fees	2,600
969	Total Operating Expenses:	<u>\$ 66,986</u>
	Excess (Deficiency) of Revenues	
970	Over (Under) Expenses	<u>\$ 390,206</u>
	Other Expenses:	
973	Housing Assistance Payments	\$ 392,813
900	Total Other Expenses:	<u>\$ 392,813</u>
	Deficiency of Expenses over Revenue	<u>\$ (2,607)</u>

**STATEMENT OF NET POSITION - WASTEWATER
PROPRIETARY FUND SEGMENT
SEPTEMBER 30, 2019**

	Wastewater Fund Segment
ASSETS:	
Cash and Cash Equivalents	\$ 290,031
Receivables, Net of Allowances	81,008
Due from Other Funds	10,676
Inventory	42,137
Total Current Assets	\$ 423,852
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation and Amortization	
Land	\$ 24,484
Buildings	11,303
Improvements other than Buildings	726,939
Machinery and Equipment	110,571
Infrastructure	845,959
Water Rights	439,998
Net Pension Asset	
Total Noncurrent Assets	\$ 2,159,254
Total Assets	\$ 2,583,106
 DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan - Employer Contributions	\$ 4,251
Pension Plan - Investment Differences	30,992
Deferred Charges on Refundings	5,731
Total Deferred Outflows of Resources	\$ 40,974
 LIABILITIES:	
Due to Other Funds	
Refunds Payable	\$ 2,332
Accrued Payroll Liabilities	449
Due to State	512
Customer Deposits	45,449
Current Portion of Long-Term Liabilities:	
Compensated Absences	1,940
Notes and Bonds Payable	110,802
Leases Payable	26,592
Total Current Liabilities	\$ 188,076
Noncurrent Liabilities:	
Compensated Absences	\$ 5,819
Notes and Bonds Payable	1,123,534
Premium on Notes Payable	10,731
Leases Payable	242,576
Net Pension Liability	20,284
Total Noncurrent Liabilities	\$ 1,402,944
Total Liabilities	\$ 1,591,020
 DEFERRED INFLOWS OF RESOURCES:	
Pension Plan - Experience Differences	\$ 1,072
Pension Plan - Investment Differences	
Total Deferred Inflows of Resources	\$ 1,072
 NET POSITION:	
Net Investment in Capital Assets	\$ 645,019
Unrestricted	386,969
Total Net Position	\$ 1,031,988

CITY OF LAMESA, TEXAS

EXHIBIT C-6

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - WASTEWATER
PROPRIETARY FUND SEGMENT
SEPTEMBER 30, 2019

	<u>Wastewater Fund Segment</u>
OPERATING REVENUES:	
Wastewater Revenue	\$ 817,469
Total Operating Revenues	<u>\$ 817,469</u>
OPERATING EXPENSES:	
Personnel Services	\$ 178,315
Supplies	25,038
Maintenance	65,472
Miscellaneous Services	224,655
Depreciation and Amortization	176,446
Noncapitalized Equipment	8,351
Total Operating Expenses	<u>\$ 678,277</u>
Operating Income	<u>\$ 139,192</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	\$ 4,215
Gain on Sale of Assets	608
Miscellaneous Income	16,364
Interest Expense and Related Fees	<u>(68,578)</u>
Total Non-Operating Revenue (Expense)	<u>\$ (47,391)</u>
Loss Before Transfers	\$ 91,801
Transfers Out	<u>(63,679)</u>
Change in Net Position	\$ 28,122
Total Net Position - Beginning	<u>1,003,866</u>
Total Net Position - Ending	<u><u>\$ 1,031,988</u></u>

CITY OF LAMESA, TEXAS

EXHIBIT C-7

STATEMENT OF CASH FLOWS - WASTEWATER
PROPRIETARY FUND SEGMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Wastewater Fund Segment</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 821,451
Cash Payments to Employees for Services	(190,148)
Cash Payments to Other Suppliers for Goods and Services	(339,037)
Net Cash From Operating Activities	<u>\$ 292,266</u>
Cash Flows from Non-Capital Financing Activities:	
Miscellaneous Income	\$ 16,364
Transfers to Other Funds	(63,679)
Net Cash From Non-Capital Financing Activities	<u>\$ (47,315)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	\$ (218,005)
Proceeds from Sale of Assets	608
Acquisition or Construction of Capital Assets	(34,820)
Net Cash From Capital and Related Financing Activities	<u>\$ (252,217)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	\$ 4,215
Net Cash From Investing Activities	<u>\$ 4,215</u>
Increase in Cash and Cash Equivalents	\$ (3,051)
Cash and Cash Equivalents - Beginning of Year	293,082
Cash and Cash Equivalents - End of Year	<u>\$ 290,031</u>
Reconciliation of Operating Income to Net Cash	
Used in Operating Activities:	
Operating Income	\$ 139,192
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and Amortization	\$ 176,446
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	3,856
Decrease (Increase) in Inventory	(15,582)
Decrease (Increase) in Net Pension Liability	37,168
Decrease (Increase) in Deferred Outflows	(42,732)
Increase (Decrease) in Due to State	61
Increase (Decrease) in Refunds Payable	(721)
Increase (Decrease) in Customer Deposits	847
Increase (Decrease) in Accrued Expenses	(3,882)
Increase (Decrease) in Deferred Inflows	(2,387)
Total Adjustments	<u>\$ 153,074</u>
Net Cash From Operating Activities	<u>\$ 292,266</u>

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

City Council
City of Lamesa, Texas
Lamesa, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lamesa, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Lamesa, Texas' basic financial statements and have issued our report thereon dated April 3, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 City of Lamesa, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 3, 2020