

**CITY OF SUDAN**

**SUDAN, TEXAS**

*ANNUAL FINANCIAL REPORT*

FOR THE YEAR ENDED  
SEPTEMBER 30, 2020



CITY OF SUDAN  
TABLE OF CONTENTS  
SEPTEMBER 30, 2020

	Page	Exhibit
	-----	-----
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report on Financial Statements	1-3	
Management's Discussion and Analysis (Required Supplementary Information)	4-11	
<u>BASIC FINANCIAL STATEMENTS</u>		
Government-wide Financial Statements:		
Statement of Net Position	13	A-1
Statement of Activities	15-16	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	17	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	18	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20	C-4
Statement of Net Position - Proprietary Fund	21	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	22	D-2
Statement of Cash Flows - Proprietary Fund	23	D-3
Notes to the Financial Statements	24-46	
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	49-50	E-1
Schedule of Changes in Net Pension Liability and Related Ratios	51	E-2
Schedule of Contributions	52	E-3
Notes to Required Supplementary Information	53	

CITY OF SUDAN  
TABLE OF CONTENTS  
SEPTEMBER 30, 2020

	Page	Exhibit
	-----	-----
<u>OTHER SUPPLEMENTARY INFORMATION</u>		
Schedule of Delinquent Taxes Receivable	55-56	F-1
<u>OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION</u>		
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>	59-60	
Schedule of Findings and Responses	61	
Schedule of Prior Audit Findings	62	
Corrective Action Plan	63	

## FINANCIAL SECTION



823 LFD Drive | Littlefield, Texas 79339 | 806 . 385 . 5181 | Fax 806 . 385 . 5183

Member of Texas Society of CPA's and American Institute of CPA's

## Independent Auditor's Report

Honorable Mayor & City Council  
City of Sudan  
111 East First Street  
Sudan, Texas 79371

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sudan, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Sudan'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 of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sudan as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, on our consideration of the City of Sudan'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sudan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sudan's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Webb, Webb, + Wright".

WEBB, WEBB AND WRIGHT, CPA's

February 3, 2021



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Sudan's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how well the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the same basis of accounting used by most private sector companies – accrual.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by business functions that are intended to recover a portion of their costs through user fees and charges and general revenues provided by the taxpayers. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets, plus deferred outflows of resources less liabilities, less deferred inflows of resources) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City operates under two kinds of activities:

*Governmental activities* – Most of the City's basic services are reported here, including general government, police, fire, refuse, streets and other. Property taxes and fees finance most of these activities.

*Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of services it provides in water and sewer services.

*Component Unit* - The City includes one separate legal entity in its report - The Sudan Economic Development Corporation. Although legally separate, this component unit is important because the City is financially accountable for it.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City's administration establishes many funds to help it control and manage money for particular purposes.

*Governmental Funds* – The City reports most of its basic services in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City’s general operations and the basic services it provides.

We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

*Proprietary Funds* – The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise fund (one category of proprietary funds) is the business-type activity reported in the government-wide statements but containing more detail and some additional information, such as cash flows.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s activities.

Net position of the City’s governmental activities increased from \$818,924 to \$892,507. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a \$330,317 at September 30, 2020.

This increase in governmental net position was the net result of the City’s revenues exceeding the expenses by \$73,583.

The net position of our business-type activities increased by \$75,789. Factors contributing to this decrease are shown in Exhibit B-1.

**Table 1**

City of Sudan

**Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	473	460	112	64	586	523	11.9%
Capital assets	784	564	1,766	1,735	2,550	2,299	11.0%
Total assets	<u>1,258</u>	<u>1,023</u>	<u>1,879</u>	<u>1,799</u>	<u>3,136</u>	<u>2,822</u>	11.1%
Total deferred outflows of resources	<u>35</u>	<u>43</u>	<u>28</u>	<u>34</u>	<u>63</u>	<u>77</u>	-17.7%
Long-term liabilities	58	75	329	384	386	459	-15.9%
Other liabilities	261	100	131	86	392	186	110.6%
Total liabilities	<u>319</u>	<u>176</u>	<u>460</u>	<u>470</u>	<u>779</u>	<u>645</u>	20.6%
Total deferred inflows of resources	<u>81</u>	<u>71</u>	<u>65</u>	<u>57</u>	<u>146</u>	<u>128</u>	14.1%
Net position:							
Net investment in capital assets	562	564	1,442	1,372	2,004	1,936	3.6%
Restricted	-	2	-	-	-	2	-100.0%
Unrestricted (Deficit)	<u>330</u>	<u>253</u>	<u>(61)</u>	<u>(66)</u>	<u>270</u>	<u>187</u>	44.3%
Total net position	<u><u>893</u></u>	<u><u>819</u></u>	<u><u>1,382</u></u>	<u><u>1,306</u></u>	<u><u>2,274</u></u>	<u><u>2,125</u></u>	7.0%

**Table 2**

## City of Sudan

**Changes in Net Position**

in thousands

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Net program revenues:							
Charges for services	204	214	357	307	561	521	7.7%
Operating grants and contributions	10				10	-	100.0%
Capital grants and contributions	-	10			-	10	-100.0%
General revenues:							
Property taxes	288	262			288	262	9.9%
Other taxes	149	62			149	62	140.3%
Fines & fees	5	108			5	108	-95.4%
Investment earnings	3	3			3	3	0.0%
Other	85	41	79	74	164	116	41.4%
Total revenues	744	700	435	382	1,180	1,082	9.1%
Expenses:							
General government	149	144			149	144	3.5%
Police	139	138			139	138	0.7%
Fire	81	81			81	81	0.0%
Streets	94	90			94	90	4.4%
Sanitation	162	169			162	169	-4.1%
Animal Control	8	9			8	9	-11.1%
Municipal Court	21	21			21	21	0.0%
Emergency Management	2	1			2	1	100.0%
Cemetery	13	17			13	17	-23.5%
Economic Development	1	1			1	1	0.0%
Other							
Interest on L-T Debt							
Water & Sewer			360	374	360	374	-3.7%
Total expenses	671	672	360	374	1,030	1,045	-1.4%
Increase (decrease) in net position before transfers	74	28	76	8	149	36	313.9%
Capital Contributions	-	(282)	-	282	-	-	
Transfers					-	-	0.0%
Change in net position	74	(253)	76	289	149	36	313.9%
Net position-beginning	819	1,072	1,306	1,016	2,125	2,088	1.8%
Net position-ending	893	819	1,381	1,306	2,274	2,124	7.0%

The City's total revenues increased over \$97,000 this year. The total cost of all programs and services decreased over \$15,000 this year.

The increase in total revenues and expenses were primarily due to the following reasons:

1. The property tax base increased from \$26,092,053 to \$28,119,306. The Chief Appraiser explained the difference was primarily due to inventory at the Texas Producer's Coop.
2. The Fire Department was awarded a grant for a new brush truck. The City was required to pay the full amount for the truck, \$222,000 initially, then wait for the grant reimbursement payment of \$199,800. The City's match was \$22,200. The City received a loan from the First United Bank of Sudan for \$222,000 which was deposited in the City's General Fund. All of this activity took place at the end of the City's fiscal year. The City did not receive the reimbursement from the Texas Forestry Service until after the beginning of the new fiscal year. The budget adjustments approved and posted to this year reflected receipt of the bank loan of \$222,000, the receipt of the grant funds of \$199,800 (anticipated, but not actually received), and the expense of the \$22,200 match. This shows a sizable increase in income and expenses for this full transaction.
3. The City also had a significant increase in income and expenses due to the pandemic of 2020. The expense increases covered additional legal fees, emergency sick leave paid, PPE, disinfectants, additional cleaning supplies, a commercial refrigerator and freezer for the local food bank, plus a few other items. The City anticipates Federal grant funds to cover these expenses, but to date has only received the initial 20% of \$9,834.
4. There was an increase in rates charged for water and sewer services provided as well as additional water usage due to a drought.

The cost of all governmental and business-type activities this year was \$1,030,140. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$436,791 because \$560,885 of the costs were paid by those who directly benefited from the programs and \$9,834 by other governments and organizations that subsidized certain programs with grants and contributions.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$411,481, which is more than last year's total of \$341,955. Included in this year's total change in fund balance is an increase of \$69,523 in the City's General Fund.

The City's proprietary funds reported a net position of \$1,381,613 which is higher than last year's total of \$1,305,824.

The details of the above summarized information can be found on Exhibit C-3 and Exhibit D-2.

## ***General Fund Budgetary Highlights***

The City's General Fund balance of \$409,368 differs from the General Fund's budgetary fund balance of \$344,002. This difference is shown on the Budgetary Comparison Schedule (Exhibit E-1).

Over the course of the year, the City recommended and the council approved several revisions to the original General Fund budgeted revenue and appropriations. The final amended budget reflected an excess of expenditures over revenues of \$217,843 and the actual was an excess of expenditures over revenues of \$152,477. The Budgetary Comparison Schedule calculates a variance between the final appropriated budget and actual figures on a line-by-line basis for both revenue and expenditures. The most positive variances for revenues included general sales and use taxes of about \$4,300 and property taxes of about \$1,100. The most positive variance for expenditures was debt service of about \$229,000, capital outlay of about \$35,000, and Sanitation of about \$29,000 followed by smaller positive variances. Please see the full Budgetary Comparison Schedule (Exhibit E-1) for a more in-depth analysis.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of 2020, the City had \$3,809,748 invested in a broad range of capital assets, including administrative facilities and equipment, public safety facilities and equipment, and maintenance buildings and equipment. This amount represents a net increase of \$370,475 from last year.

This year's major additions included:

Water tank and well improvements	\$	82,435
2021 Freightliner		222,000
Seal Coating		45,440
Gazebo		20,600
		-----
Total	\$	370,475
		=====

The City has purchased a new ambulance in FYE 2021 and anticipates the purchase of a new garbage truck in the next 4-8 years. The City will expend available funds for the purchase, but if financing is needed, the City will review options including the local bank. The City has applied for a CDBG grant of \$350,000 for an additional water well. If funded, there will be a required match of 5%.

### ***Debt***

At year-end, the City had \$546,000 in notes and certificates of obligation outstanding versus \$363,000 last year. More detailed information about the

City's long-term liabilities is presented in notes # 6 & 7 to the financial statements.

The City financed a portion of the purchase of a new ambulance for approximately \$148,000 in FYE 2021. Lamb County will no longer purchase and provide ambulances for the cities in the county. Instead, they will provide annual payments of \$35,000 to each city in the county to assist with the purchase of a new ambulance. The City has organized the financing so that the annual payments coincide with the required debt service for the financed portion of the ambulance.

The City does not anticipate the need for any new debt besides that of the ambulance in FYE 2021.

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

The City's elected officials and appointed officials consider many factors when setting the fiscal year 2021 budget and tax rates. The City plans to maintain the current tax rate for FYE 2021. The City has accounted in the budget for FYE 2021 the grant revenue for the new bush truck of \$199,800 as well as the required debt service for the newly purchased ambulance as mentioned above. The City intends to monitor and be proactive in spending habits to ensure compliance with the budget while still providing city services to the citizens of Sudan. The City plans to make sure current infrastructure can be maintained correctly and efficiently.

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

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



## BASIC FINANCIAL STATEMENTS

CITY OF SUDAN  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	Nonmajor Component Unit
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 430,841	\$ 66,150	\$ 496,991	\$ 51,279
Accounts Receivable, Net	52,433	36,355	88,788	-
Internal Balances	(9,857)	9,857	-	-
Capital Assets:				
Land	10,953	476,893	487,846	32,613
Buildings & Improvements, Net	245,327	35,500	280,827	-
Water & Sewer System, Net	-	1,139,682	1,139,682	-
Machinery & Equipment, Net	527,910	114,160	642,070	-
Total Assets	1,257,607	1,878,597	3,136,204	83,892
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to Pension Plan	35,059	27,907	62,966	-
Total Deferred Outflows of Resources	35,059	27,907	62,966	-
<b>LIABILITIES</b>				
Accounts Payable	22,700	44,221	66,921	-
Customer Deposits	-	39,275	39,275	-
Wages and Salaries Payable	8,739	3,482	12,221	-
Compensated Absences Payable	3,188	1,650	4,838	-
Claims and Judgments Payable	4,238	-	4,238	-
Accrued Interest Payable	-	1,605	1,605	-
Other Current Liabilities	273	-	273	-
Noncurrent Liabilities:				
Debt Due Within One Year	222,000	41,000	263,000	-
Bonds Payable - Noncurrent	-	283,000	283,000	-
Net Pension Liability	57,542	45,803	103,345	-
Total Liabilities	318,680	460,036	778,716	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow Related to Pension Plan	81,479	64,855	146,334	-
Total Deferred Inflows of Resources	81,479	64,855	146,334	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	562,190	1,442,234	2,004,424	32,613
Unrestricted	330,317	(60,621)	269,696	51,279
Total Net Position	\$ 892,507	\$ 1,381,613	\$ 2,274,120	\$ 83,892

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

This page has been left intentionally blank.

CITY OF SUDAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
City Hall	\$ 149,379	\$ 8,168	\$ 9,834
Judicial	20,927	-	-
Police	139,064	-	-
Fire	80,572	10,210	-
Animal Control	8,022	2,042	-
Emergency Management	1,981	-	-
Streets	94,186	16,335	-
Sanitation	162,314	159,270	-
Cemetery	12,838	8,168	-
Economic Development	1,292	-	-
Total Governmental Activities	670,576	204,193	9,834
BUSINESS-TYPE ACTIVITIES:			
	359,564	356,692	-
Total Business-Type Activities	359,564	356,692	-
TOTAL PRIMARY GOVERNMENT	\$ 1,030,140	\$ 560,885	\$ 9,834
<b>Component Unit:</b>			
Nonmajor Component Unit	\$ 26,084	\$ -	\$ -
TOTAL COMPONENT UNIT	\$ 26,084	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

General Sales and Use Taxes

Franchise Tax

Penalty and Interest on Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Nonmajor Component Unit
\$ (131,377)	\$ -	\$ (131,377)	\$ -
(20,927)	-	(20,927)	-
(139,064)	-	(139,064)	-
(70,362)	-	(70,362)	-
(5,980)	-	(5,980)	-
(1,981)	-	(1,981)	-
(77,851)	-	(77,851)	-
(3,044)	-	(3,044)	-
(4,670)	-	(4,670)	-
(1,292)	-	(1,292)	-
(456,549)	-	(456,549)	-
-	(2,872)	(2,872)	-
-	(2,872)	(2,872)	-
(456,549)	(2,872)	(459,421)	-
-	-	-	(26,084)
-	-	-	(26,084)
288,075	-	288,075	-
92,284	-	92,284	32,618
56,432	-	56,432	-
5,070	-	5,070	-
85,081	78,549	163,630	-
3,190	112	3,302	-
530,132	78,661	608,793	32,618
73,583	75,789	149,372	6,534
818,924	1,305,824	2,124,748	77,359
\$ 892,507	\$ 1,381,613	\$ 2,274,120	\$ 83,893

CITY OF SUDAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 428,728	\$ 2,113	\$ 430,841
Taxes Receivable	28,497	-	28,497
Allowance for Uncollectible Taxes (credit)	(5,699)	-	(5,699)
Accounts Receivable, Net	29,635	-	29,635
Total Assets	<u>\$ 481,161</u>	<u>\$ 2,113</u>	<u>\$ 483,274</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 22,700	\$ -	\$ 22,700
Wages and Salaries Payable	8,739	-	8,739
Compensated Absences Payable	3,188	-	3,188
Claims and Judgments Payable	4,238	-	4,238
Due to Other Funds	9,857	-	9,857
Other Current Liabilities	273	-	273
Total Liabilities	<u>48,995</u>	<u>-</u>	<u>48,995</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	22,798	-	22,798
Total Deferred Inflows of Resources	<u>22,798</u>	<u>-</u>	<u>22,798</u>
<b>FUND BALANCES</b>			
Other Restricted Fund Balance	-	2,113	2,113
Unassigned Fund Balance	409,368	-	409,368
Total Fund Balances	<u>409,368</u>	<u>2,113</u>	<u>411,481</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 481,161</u>	<u>\$ 2,113</u>	<u>\$ 483,274</u>

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

CITY OF SUDAN  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2020

---

<b>Total Fund Balances - Governmental Funds</b>	\$ 411,481
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	784,190
Long-term liability used in governmental activities are not due and payable in the current period and therefore are not reported in the funds.	(222,000)
A reclassification is necessary to convert from the modified accrual basis of accounting to accrual basis of accounting, and thereby recognizing unavailable revenue from property taxes revenue.	22,798
Recognition of the City's net pension liability is not reported in the funds.	(57,542)
Deferred outflow related to pensions is not reported in the funds.	35,059
Deferred inflow related to pensions is not reported in the funds.	(81,479)
<b>Net Position of Governmental Activities</b>	<hr/> \$ 892,507 <hr/>

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

CITY OF SUDAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 282,603	\$ -	\$ 282,603
General Sales and Use Taxes	92,284	-	92,284
Franchise Tax	56,432	-	56,432
Penalty and Interest on Taxes	5,070	-	5,070
Intergovernmental Revenue and Grants	20,634	-	20,634
Charges for Services	193,392	-	193,392
Fines	43,072	-	43,072
Investment Earnings	3,187	3	3,190
Other Revenue	42,010	-	42,010
Total Revenues	<u>738,684</u>	<u>3</u>	<u>738,687</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
City Hall	159,906	-	159,906
Judicial	20,518	-	20,518
Public Safety:			
Police	125,674	-	125,674
Fire	33,634	-	33,634
Animal Control	8,022	-	8,022
Emergency Management	898	-	898
Public Works:			
Streets	80,006	-	80,006
Sanitation	158,531	-	158,531
Culture and Recreation:			
Cemetery	7,704	-	7,704
Conservation and Development:			
Economic Development	1,292	-	1,292
Capital Outlay:			
Capital Outlay	<u>294,976</u>	<u>-</u>	<u>294,976</u>
Total Expenditures	<u>891,161</u>	<u>-</u>	<u>891,161</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(152,477)</u>	<u>3</u>	<u>(152,474)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Notes Payable	<u>222,000</u>	<u>-</u>	<u>222,000</u>
Total Other Financing Sources (Uses)	<u>222,000</u>	<u>-</u>	<u>222,000</u>
Net Change in Fund Balances	69,523	3	69,526
Fund Balance - October 1 (Beginning)	<u>339,845</u>	<u>2,110</u>	<u>341,955</u>
Fund Balance - September 30 (Ending)	<u>\$ 409,368</u>	<u>\$ 2,113</u>	<u>\$ 411,481</u>

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



CITY OF SUDAN  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

---

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 69,526
Capital outlays are not reported as expenses in the SOA.	288,040
Capital asset depreciation used in governmental activities is not reported in the funds.	(67,591)
Revenues in the SOA that do not provide current financial resources are not reported as revenues in the funds.	5,472
Pension expense relating to GASB #68 is recorded in the SOA but not in the funds.	136
Note proceeds do not provide revenue in the SOA but are reported as current resources in the funds.	(222,000)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 73,583</u>

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

CITY OF SUDAN  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2020

	Business Type Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 66,150
Accounts Receivable, Net	36,355
Due from Other Funds	9,857
Total Current Assets	<u>112,362</u>
Noncurrent Assets:	
Capital Assets:	
Land	476,893
Buildings & Improvements	35,500
Improvements other than Buildings	1,139,682
Furniture and Equipment	114,160
Total Noncurrent Assets	<u>1,766,235</u>
Total Assets	<u>1,878,597</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	27,907
Total Deferred Outflows of Resources	<u>27,907</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	44,221
Customer Deposits	39,275
Wages and Salaries Payable	3,482
Compensated Absences Payable	1,650
Accrued Interest Payable	1,605
Bonds Payable - Current	41,000
Total Current Liabilities	<u>131,233</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	283,000
Net Pension Liability	45,803
Total Noncurrent Liabilities	<u>328,803</u>
Total Liabilities	<u>460,036</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	64,855
Total Deferred Inflows of Resources	<u>64,855</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,442,234
Unrestricted	(60,621)
Total Net Position	<u><u>\$ 1,381,613</u></u>

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

CITY OF SUDAN  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Business-Type Activities</u>
<hr/>	
OPERATING REVENUES:	
Water	\$ 270,170
Sewer	86,522
Rents and Royalties	64,399
Other Revenue	14,150
Total Operating Revenues	<u>435,241</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	167,900
Personnel Services - Employee Benefits	14,941
Purchased Professional & Technical Services	8,853
Other Operating Costs	59,337
Supplies	44,128
Depreciation	51,163
Total Operating Expenses	<u>346,322</u>
Operating Income	<u>88,919</u>
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	112
Interest Expense - Nonoperating	(13,242)
Total NonOperating Revenue (Expenses)	<u>(13,130)</u>
Change in Net Position	75,789
Total Net Position - October 1 (Beginning)	<u>1,305,824</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 1,381,613</u></u>

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

CITY OF SUDAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 340,178
Cash Payments for Goods & Services	(93,927)
Cash Payments to Employees for Services	(182,841)
Other Operating Revenues	78,441
Net Cash Provided by Operating Activities	<u>141,851</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Net Cash Provided by (Used for) Non-Cap. Fin. Act	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(82,436)
Principal Paid on Certificates of Obligation	(39,000)
Interest Paid on Certificates of Obligation	(13,397)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(134,833)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Earnings on Cash and Investments	<u>112</u>
Net Increase in Cash and Cash Equivalents	7,130
Cash and Cash Equivalents at the Beginning of the Year	<u>59,020</u>
Cash and Cash Equivalents at the End of the Year	<u><u>\$ 66,150</u></u>
<u>Reconciliation of Operating Income to Net Cash     Provided By Operating Activities:</u>	
Operating Income	\$ 88,919
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	51,163
Pension (Income) Expense Relating to GASB #68	(108)
Bad Debt Write-Off	456
Other Noncash Revenues	(302)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(10,420)
Decrease (Increase) in Due from Other Funds	(9,857)
Increase (Decrease) in Accounts Payable	39,804
Increase (Decrease) in Customer Deposits	3,609
Increase (Decrease) in Due to Other Funds	<u>(21,413)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 141,851</u></u>

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

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

**A. REPORTING ENTITY**

This report includes all of the services provided by the City to residents and businesses within its boundaries. In evaluating the City's reporting entity in accordance with GASB Statement No. 14 and GASB Statement No. 61, management has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and/or the nature and significance of the relationship with the City is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

The Sudan Economic Development Corporation (the "Entity") is legally separate from the City; however, the Entity is fiscally dependent on the City. The Entity provides marketing and economic development services to the City and the City provides custody and investment of the Entity's assets and various administrative services. The City Council appoints the board members and its operations are funded primarily through budgeted allocations of the City's sales and use taxes. The Entity is reported as a governmental fund. There are no separately issued financial statements for the Entity. The Entity will be presented as a discretely presented component unit.

**B. BASIS OF PRESENTATION**

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's fixed assets, including infrastructure.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the City's governmental programs. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Statement No. 34 also requires the City to present a Management's Discussion and Analysis (MD&A) which provides an analytical overview of the City's financial activities. Although it is Required Supplementary Information (RSI), the City is required to present the MD&A before the basic financial statements. In addition, a budgetary comparison statement that compares the adopted and modified General Fund budget with actual results is required to be presented as RSI.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34.

The City has presented the following Major Governmental Fund:

General Fund (GF) - The City accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund

## CITY OF SUDAN

### Notes to Financial Statements September 30, 2020

balances are considered resources available for current operations. The general fund accounts for all financial resources except those required to be accounted for in another fund.

The City has presented the following Major Proprietary Fund:

Water and Sewer Fund - This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City also reports the following Nonmajor Funds:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Proprietary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

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.

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

**D. CASH AND CASH EQUIVALENTS**

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

**E. RECEIVABLE AND PAYABLE BALANCES**

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

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

**F. INTERFUND ACTIVITY**

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



CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

**G. INVENTORIES AND PREPAID ITEMS**

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

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

**H. CAPITAL ASSETS**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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. Interest costs incurred during construction of capital assets are capitalized. A capitalization threshold of \$5,000 is used.

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

Asset Class -----	Estimated Useful Lives (Years) -----
Buildings & Improvements	10-50
Machinery & Equipment	5-25
Water & Sewer System	15-50

**I. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**J. ACCUMULATED UNPAID VACATION AND SICK PAY**

The City does not have an obligation to pay unpaid vacation upon termination and does not accumulate vacation from year to year;

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

therefore, such amounts are not accrued by the City. In addition, the City does not have an obligation to pay unpaid sick pay upon termination and does not accumulate sick pay from year to year, but annually pays for unused sick leave at the rate of \$50 per day. Such amounts have been accrued by the City.

**K. PENSIONS**

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

**L. FUND BALANCES**

Fund balances of the governmental funds are classified as follows:

*Non-spendable Fund Balance* - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted Fund Balance* - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* - represents amounts that can only be used for a specific purpose because of a formal action by the City's governing body. Committed amounts cannot be used for any other purpose unless the governing body removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing body. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

*Assigned Fund Balance* - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing body or by an official or body to which the governing body delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

*Unassigned Fund Balance* - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position on the Government-wide Statement:

In the government-wide statements, net position is reported in three components - net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt issued to acquire, construct or improve those assets. Restricted net position is reported when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position does not meet the definition of either of the two categories of net assets listed above.

Unrestricted net position is assets available for use by the City for legal purposes. As of September 30, 2020, the City's business-type activities unrestricted net position was a deficit balance of \$69,356. The deficit amount is a result of governments recognizing a liability, such as claims and judgements, compensated absences, and loans, on the government-wide statements of net position as soon as the obligation is incurred. Because governments raise resources based on when liabilities are to be paid rather than when they are incurred, a deficit balance in the unrestricted position occurs. A deficit in unrestricted net position provides a measure of how much the City has already committed its future resources.

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

When the City incurs an expense for which it may use either restricted or unrestricted position, it uses the restricted position first whenever they will have to be returned if they are not used.

**M. USE OF ESTIMATES**

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

**N. NEW PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE**

In January 2017, GASB issued Statement No. 84 ("GASB 84"), *Fiduciary Activities*. GASB 84 establishes criteria for identifying fiduciary activities. GASB 84 originally had to be implemented for the fiscal period ending June 30, 2020; however, due to the COVID-19 pandemic the implementation date has been postponed by one year.

In August 2018, GASB issued Statement No. 90 ("GASB 90"), *Majority Equity Interests*. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. GASB 90 originally had to be implemented for the fiscal period ending June 30, 2020; however, due to the COVID-19 pandemic the implementation date has been postponed by one year.

In May 2020, GASB issued Statement No. 95 ("GASB 95"), *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date of the following pronouncement was postponed by 18 months:

- Statement No. 87, *Leases*

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

**NOTE 2: COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No.38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Deficit Net Position of an Individual Nonmajor Fund

The following are funds having a deficit fund balance or deficit net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

**NOTE 3: DEPOSITS AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of 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") coverage.

Cash Deposits:

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts) included in cash was \$548,270 and the bank balance was \$611,497. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance and by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize 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

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the 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.

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

The City's investments at September 30, 2020 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ -0-
		-----
Total Investments		\$ -0-
		=====

Analysis of Specific Deposit and Investment Risks:

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

*a. Credit Risk*

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

*b. Custodial Credit Risk*

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

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

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

*c. Concentration of Credit Risk*

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

*d. Interest Rate Risk*

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

*e. Foreign Currency Risk*

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

Investment Accounting Policy:

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

**NOTE 4: PROPERTY TAX**

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 February 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.

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

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.



CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

**NOTE 5: CAPITAL ASSETS**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 10,953	\$ -	\$ -	\$ 10,953
Construction In Progress	-	-	-	-
Total capital assets not being depreciated	\$ 10,953	\$ -	\$ -	\$ 10,953
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 288,128	\$ 66,040		\$ 354,168
Machinery and Equipment	833,927	222,000		1,055,927
Total capital assets being depreciated	\$ 1,122,055	\$ 288,040	\$ -	\$ 1,410,095
Less accumulated depreciation:				
Buildings and Improvements	\$ (98,645)	\$ (10,196)		\$ (108,841)
Machinery and Equipment	(470,622)	(57,395)		(528,017)
Total accumulated depreciation	\$ (569,267)	\$ (67,591)	\$ -	\$ (636,858)
Total capital assets being depreciated, net	\$ 552,788	\$ 220,449	\$ -	\$ 773,238
Governmental activities capital assets, net	\$ 563,740	\$ 220,449	\$ -	\$ 784,190
<u>Business-type Activities</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 476,893	\$ -	\$ -	\$ 476,893
Total capital assets not being depreciated	\$ 476,893	\$ -	\$ -	\$ 476,893
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 60,000	\$ -	\$ -	\$ 60,000
Machinery and Equipment	69,386			69,386
Water & Sewer System	1,699,986	82,435		1,782,421
Total capital assets being depreciated	\$ 1,829,372	\$ 82,435	\$ -	\$ 1,911,807
Less accumulated depreciation:				
Buildings and Improvements	\$ (21,700)	\$ (2,800)	\$ -	\$ (24,500)
Machinery and Equipment	(31,246)	(6,416)		(37,662)
Water & Sewer System	(518,357)	(41,947)		(560,304)
Total accumulated depreciation	\$ (571,303)	\$ (51,163)	\$ -	\$ (622,466)
Total capital assets being depreciated, net	\$ 1,258,069	\$ 31,272	\$ -	\$ 1,289,341
Business-type activities capital assets, net	\$ 1,734,962	\$ 31,272	\$ -	\$ 1,766,234

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

<u>Component Unit</u>	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 32,613	\$ -	\$ -	\$ 32,613
Total capital assets not being depreciated	\$ 32,613	\$ -	\$ -	\$ 32,613
Component unit capital assets, net	\$ 32,613	\$ -	\$ -	\$ 32,613

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 8,332
Police	11,761
Fire	35,005
Streets	5,055
Sanitation	3,783
Cemetery	3,655
	-----
Total depreciation expense - Governmental activities	\$ 67,591
	=====
Business-type activities:	
Water and Sewer	\$ 51,163
	-----
Total depreciation expense - Business-type activities	\$ 51,163
	=====

**NOTE 6: NOTE PAYABLE**

On August 26, 2020 the City borrowed \$222,000 from First United Bank for the purchase of a 2021 Freightliner Fire Truck. This direct borrowing note is a short-term loan - with a 3.50% variable interest rate - and is accounted for in the General Fund. The balance of this loan plus interest is due on December 5, 2020. There was no interest paid in the current year.

A summary of changes in short-term debt for the year ended September 30, 2020, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
-----	-----	-----	-----	-----	-----
Note Payable	\$ -0-	\$ 222,000	\$ -0-	\$ 222,000	\$ -0-
	-----	-----	-----	-----	-----
Totals	\$ -0-	\$ 222,000	\$ -0-	\$ 222,000	\$ -0-
	=====	=====	=====	=====	=====

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

**NOTE 7: LONG-TERM DEBT**

City of Sudan Texas \$600,000 Combination Tax and Revenue Certificates, of Obligation, Series 2011 issued December 21, 2011. The Certificates are issued as serial certificates maturing on February 15 in the years 2013 through 2027. Interest is payable each August 15th and February 15th thereafter until maturity or prior redemption with an effective interest rate of 3.90%. This bond obligation is accounted for in the Water and Sewer Fund. The amount of interest paid in FYE 2020 was \$13,397.

A summary of changes in long-term debt for the year ended September 30, 2020, is as follows:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Series 2011	\$363,000	\$ -0-	\$ 39,000	\$ 324,000	\$ 41,000
Totals	\$363,000	\$ -0-	\$ 39,000	\$ 324,000	\$ 41,000

Debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2021	\$ 41,000	\$ 11,837	\$ 52,837
2022	43,000	10,198	53,198
2023	44,000	8,502	52,502
2024	46,000	6,747	52,747
2025	48,000	4,914	52,914
2026-2027	102,000	4,017	106,017
Totals	\$ 324,000	\$ 46,215	\$ 370,215

The City had no current year long-term direct placements and/or direct borrowings and no unused lines of credit.

**NOTE 8: CHANGES IN OTHER LONG-TERM DEBT**

Governmental Activities:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Net Pension Liability *	\$ 75,278	\$ 57,969	\$ 75,705	\$ 57,542	\$ -0-
Totals	\$ 75,278	\$ 57,969	\$ 75,705	\$ 57,542	\$ -0-

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Business-type Activities:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
-----	-----	-----	-----	-----	-----
Net Pension Liability * \$	59,920	\$ 46,143	\$ 60,260	\$ 45,803	\$ -0-
-----	-----	-----	-----	-----	-----
Totals	\$ 59,920	\$ 46,143	\$ 60,260	\$ 45,803	\$ -0-
=====	=====	=====	=====	=====	=====

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net Pension Liability *	Business-type	Water & Sewer

**NOTE 9: INTERFUND BALANCES AND ACTIVITIES**

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2020 consisted of the following:

Due To Fund	Due From Fund	Amount
-----	-----	-----
Water & Sewer Fund	General Fund	\$ 9,857
-----	-----	-----
Total		\$ 9,857
		=====

Interfund balances, specifically, the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

None

**NOTE 10: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the City purchased general liability coverage. There were no significant reductions in insurance coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

**NOTE 11: SELF-INSURED INSURANCE**

The City is a member of the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for Workers' Compensation, Liability and Property/Casualty coverage. The City pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of insured amounts.

**NOTE 12: SUBSEQUENT EVENTS**

There has been no significant subsequent event which would have a material effect on the financial statements as of the Independent Auditor's Report date.

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

The City participates in state and federal 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 financial statements for such contingencies.

**NOTE 14: LITIGATION**

The City was not involved in any significant litigation as of September 30, 2020.

**NOTE 15: DEFINED BENEFIT PENSION PLAN**

**A. PLAN DESCRIPTION**

The City of Sudan participates as one of 888 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

## CITY OF SUDAN

### Notes to Financial Statements September 30, 2020

Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

#### **B. BENEFITS PROVIDED**

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

Upon retirement, benefits depend on the sum of an employee's contributions, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the city granted monetary credits for service rendered before the plan began of a percentage adopted by the city, of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the city can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as an Updated Service Credit. This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate has always been in effect. The computation also assumes that the member's salary has always been the member's average salary-using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year and increased by the city match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years.

*Employees covered by benefit terms.*

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	9
	----
	13

**C. CONTRIBUTIONS**

The required contribution rate in TMRS for employees of the City of Sudan is 5% of employee gross earnings, and the city matching ratio is currently 1 to 1, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for the 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. The city's contributions to TMRS for FYE 2020 were \$6,786, and were equal to the required contributions.

**D. NET PENSION LIABILITY**

The city's Net Position Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. 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 recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in FY 2020 are summarized in the following table:



CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%; the municipal bond rate is 2.75% based on the Fidelity 20-Year Municipal GO AA Index daily rate closest to but not later than the Measurement Date. 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 the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 852,196	\$ 716,998	\$ 135,198
Changes for the year:			
Service cost	34,947		34,947
Interest	57,850		57,850
Changes in current period benefits			
Difference between expected and actual experience	9,877		9,877
Changes in assumptions	793		793
Contributions - employer		5,055	(5,055)
Contributions - employee		20,061	(20,061)
Net investment income		110,849	(110,849)
Benefit payments, including refunds of employee contributions	(25,264)	(25,264)	
Administrative expense		(626)	626
Other changes		(19)	19
Net changes	\$ 78,203	\$ 110,056	\$ (31,853)
Balance at 12/31/2019	\$ 930,399	\$ 827,054	\$ 103,345

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	-----	-----	-----
City's net pension liability	\$ 236,183	\$ 103,345	\$ (6,863)

*Pension Plan Fiduciary Net Position*

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

**E. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2020, the city recognized pension expense (income) of \$6,543.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,391	\$ 77,023
Changes in actuarial assumptions	669	830
Difference between projected and actual investment earnings	42,547	68,481
Contributions subsequent to the measurement date	5,359	
TOTAL	\$ 62,966	\$146,334

\$5,359 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SUDAN

Notes to Financial Statements  
September 30, 2020

Year Ending September 30  
-----

2021	\$ (26,926)
2022	(26,899)
2023	(17,738)
2024	(18,669)
2025	304
Thereafter	1,201
	-----
	\$ (88,727)

**NOTE 16: HEALTHCARE COVERAGE**

During the year ended September 30, 2020, employees of the City were covered by a healthcare insurance plan provided through the TML MultiState Intergovernmental Employee Benefits Pool. The City pays up to \$325 in premiums per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. This plan is renewable October 1, 2020, and the terms of coverage and contribution costs are included in the contractual provisions.

The TML MultiState Intergovernmental Employee Benefits Pool has liability for all claims. The Pool is protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Standard Life Insurance Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000, and for aggregate loss.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUDAN  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 272,000	\$ 281,500	\$ 282,603	\$ 1,103
General Sales and Use Taxes	88,000	88,000	92,284	4,284
Franchise Tax	60,000	66,600	56,432	(10,168)
Penalty and Interest on Taxes	5,000	5,000	5,070	70
Intergovernmental Revenue and Grants	12,000	221,800	20,634	(201,166)
Charges for Services	204,550	204,550	193,392	(11,158)
Fines	60,650	60,650	43,072	(17,578)
Investment Earnings	2,510	2,510	3,187	677
Other Revenue	25,975	45,975	42,010	(3,965)
Total Revenues	730,685	976,585	738,684	(237,901)
EXPENDITURES:				
Current:				
General Government:				
City Hall	131,978	136,978	159,906	(22,928)
Judicial	22,397	22,397	20,518	1,879
Public Safety:				
Police	134,840	134,840	125,674	9,166
Fire	43,545	43,545	33,634	9,911
Animal Control	8,238	8,238	8,022	216
Emergency Management	5,100	5,100	898	4,202
Public Works:				
Streets	86,784	86,784	80,006	6,778
Sanitation	187,287	187,287	158,531	28,756
Culture and Recreation:				
Cemetery	8,650	8,650	7,704	946
Conservation and Development:				
Economic Development	1,317	1,317	1,292	25
Debt Service:				
Debt Service	7,097	229,097	-	229,097
Capital Outlay:				
Capital Outlay	73,000	330,195	294,976	35,219
Total Expenditures	710,233	1,194,428	891,161	303,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,452	(217,843)	(152,477)	65,366
OTHER FINANCING SOURCES (USES):				
Proceeds from Notes Payable	-	222,000	222,000	-
Total Other Financing Sources (Uses)	-	222,000	222,000	-

CITY OF SUDAN  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change	20,452	4,157	69,523	65,366
Fund Balance - October 1 (Beginning)	-	339,845	339,845	-
Fund Balance - September 30 (Ending)	\$ 20,452	\$ 344,002	\$ 409,368	\$ 65,366

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS  
MEASUREMENT YEAR ENDED DECEMBER 31  
LAST 10 YEARS (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability</b>										
Service Cost	\$ 20,269	\$ 24,272	\$ 25,652	\$ 27,410	\$ 32,955	\$ 34,947	\$ -	\$ -	\$ -	\$ -
Interest (on the Total Pension Liability)	52,362	55,278	56,869	51,684	52,880	57,850				
Changes of benefit terms	-	-	-	-	-	-				
Difference between expected and actual experience	(948)	4,849	(124,475)	(35,521)	6,649	9,877				
Change of assumptions	-	(3,480)	-	-	-	793				
Benefit payments, including refunds of employee contributions	(35,147)	(28,906)	(28,670)	(42,814)	(14,439)	(25,264)				
<b>Net change in total pension liability</b>	36,536	52,013	(70,624)	759	78,045	78,203	-	-	-	-
<b>Total pension liability - beginning</b>	755,467	792,003	844,016	773,392	774,151	852,196	-	-	-	-
<b>Total pension liability - ending (a)</b>	<u>\$ 792,003</u>	<u>\$ 844,016</u>	<u>\$ 773,392</u>	<u>\$ 774,151</u>	<u>\$ 852,196</u>	<u>\$ 930,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fiduciary Net Position</b>										
Contributions - Employer	\$ 7,593	\$ 8,696	\$ 9,680	\$ 13,848	\$ 6,851	\$ 5,055	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	13,001	14,640	14,984	15,917	19,138	20,061				
Net Investment Income	34,313	914	41,490	90,219	(21,792)	110,849				
Benefit payments, including refunds of employee contributions	(35,147)	(28,906)	(28,670)	(42,814)	(14,439)	(25,264)				
Administrative Expense	(358)	(558)	(469)	(468)	(421)	(626)				
Other	(29)	(27)	(25)	(24)	(22)	(19)				
<b>Net Change in Plan Fiduciary Net Position - Beginning</b>	19,373	(5,241)	36,990	76,679	(10,685)	110,056	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 619,255</u>	<u>\$ 614,014</u>	<u>\$ 651,004</u>	<u>\$ 727,683</u>	<u>\$ 716,998</u>	<u>\$ 827,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 172,748</u>	<u>\$ 230,002</u>	<u>\$ 122,388</u>	<u>\$ 46,468</u>	<u>\$ 135,198</u>	<u>\$ 103,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>	78.19%	72.75%	84.18%	94.00%	84.14%	88.89%	0.00%	0.00%	0.00%	0.00%
<b>Covered Employee Payroll</b>	\$ 260,023	\$ 292,791	\$ 299,675	\$ 318,347	\$ 382,756	\$ 401,227	\$ -	\$ -	\$ -	\$ -
<b>Net Pension Liability as a % of Covered Employee Payroll</b>	66.44%	78.56%	40.84%	14.60%	35.32%	25.76%	0.00%	0.00%	0.00%	0.00%
Notes to Schedule: N/A										



SCHEDULE OF PENSION CONTRIBUTIONS  
FISCAL YEAR ENDED SEPTEMBER 30  
LAST 10 YEARS (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 8,113	\$ 9,602	\$ 12,537	\$ 8,833	\$ 5,634	\$ 6,786	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	\$ (8,113)	\$ (9,602)	\$ (12,537)	\$ (8,833)	\$ (5,634)	\$ (6,786)	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 274,315	\$ 304,295	\$ 309,512	\$ 362,283	\$ 400,008	\$ 412,660	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	2.96%	3.16%	4.05%	2.44%	1.41%	1.64%	0.00%	0.00%	0.00%	0.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes 1) Granted 100% ad hoc USC with transfer.  
2) Granted 70% ad hoc COLA.

## CITY OF SUDAN

### Notes to Required Supplementary Information September 30, 2020

#### **BUDGET**

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to October 1, the City Council 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 after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended at the department level only by approval of a majority of the members of the City Council.

Each amendment must have City Council approval. Such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure department level. Budgeted amounts are as amended by the City Council. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase order or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

#### **DEFINED BENEFIT PENSION PLAN**

##### *Changes of Benefit Terms*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

##### *Changes of Assumptions*

The changes in assumptions include the recommendations in the actuarial experience study adopted in 2019.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SUDAN  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED SEPTEMBER 30, 2020

Last 10 Years Ended September 30	Tax Rates		Assessed/Appraised Value for Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ 17,003,270
2012	1.05000	0.00000	17,575,691
2013	1.05000	0.00000	17,724,212
2014	1.05000	0.00000	18,117,794
2015	1.05000	0.00000	19,457,423
2016	1.05000	0.00000	20,426,920
2017	1.05000	0.00000	22,315,034
2018	1.05000	0.00000	23,755,787
2019	1.06900	0.00000	23,902,207
2020 (Fiscal year under audit)	1.06900	0.00000	26,818,328
1000 TOTALS			

Beginning Balance October 1, 2019	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30, 2020
\$ 4,370	\$ -	\$ -	\$ -	\$ -	\$ 4,370
235	-	-	-	-	235
174	-	-	-	-	174
515	-	34	-	-	481
1,167	-	169	-	-	998
2,041	-	563	-	-	1,478
2,463	-	89	-	-	2,374
4,189	-	1,124	-	-	3,065
9,597	-	4,345	-	(146)	5,106
-	286,695	276,480	-	-	10,215
<u>\$ 24,751</u>	<u>\$ 286,695</u>	<u>\$ 282,804</u>	<u>\$ -</u>	<u>\$ (146)</u>	<u>\$ 28,497</u>



OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



823 LFD Drive | Littlefield, Texas 79339 | 806 . 385 . 5181 | Fax 806 . 385 . 5183

Member of Texas Society of CPA's and American Institute of CPA's

## Independent Auditor's Report

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

Honorable Mayor & City Council  
City of Sudan  
111 East First Street  
Sudan, Texas 79371

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sudan, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Sudan's basic financial statements, and have issued our report thereon dated February 3, 2021.

### **Internal Control over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



WEBB, WEBB, & WRIGHT, CPA's  
February 3, 2021

CITY OF SUDAN

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

B. Financial Statement Findings  
None

CITY OF SUDAN

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

CITY OF SUDAN

CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

None