

**CITY OF IVANHOE, TEXAS**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2020*



**Davis, Heinemann & Company, P.C.**

*Certified Public Accountants*

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*Introductory Section*

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City of Ivanhoe, Texas  
Annual Financial Report  
For The Year Ended September 30, 2020

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*Financial Section*

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**Independent Auditor's Report**

To the City Council  
City of Ivanhoe, Texas  
870 Charmaine Drive East  
Woodville, Texas 75979

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ivanhoe, Texas ("the City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective



financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Ivanhoe, Texas as of September 30, 2020, and the respective changes in financial position, 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 and budgetary comparison information 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 Ivanhoe, Texas' basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates 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 budgetary comparison schedule is fairly stated in all material respects in relation to the 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 March 19, 2021 on our consideration of City of Ivanhoe, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ivanhoe, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Davis, Heinemann & Company, P.C.

Huntsville, Texas  
March 19, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Ivanhoe, Texas' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal period ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

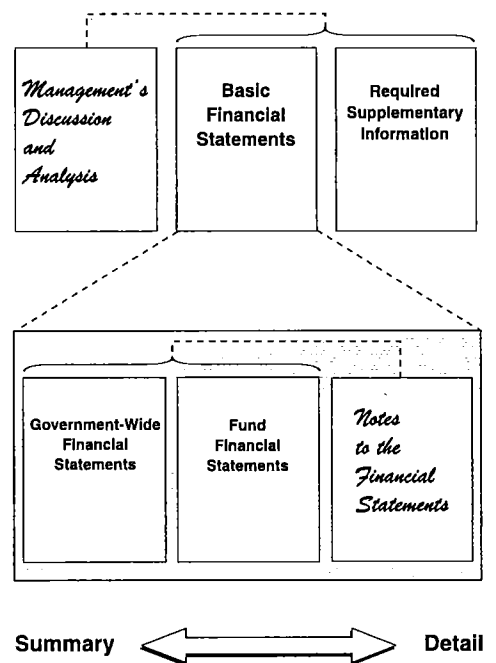
- The City's total combined net position was \$1,247.2 thousand at September 30, 2020.
- During the year, the City's expenses were \$221.7 thousand less than the \$1,355.8 thousand generated in taxes, fees, grants and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$315.7 thousand.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general administration, public safety, streets and bridges, buildings and grounds, and financial and professional. Property, sales and franchise taxes finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net position.** The City's combined net position was \$1,247.2 thousand at September 30, 2020 (see Table A-1). The increase in capital assets is due to the acquisition of a new firetruck and the beginning of a major street improvement project shown as construction in progress.

**Table A-1**  
City's Net Position  
(in thousands of dollars)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,843.2	\$ 336.8
Taxes Receivable	244.9	204.5
Intergovernmental Receivables	12.6	32.8
Due from Special Revenue Fund	<u>277.2</u>	<u>-</u>
Total Current Assets:	<u>2,377.9</u>	<u>574.1</u>
Non-Current Assets:		
Capital Assets:		
Land	16.5	16.5
Buildings	147.2	147.2
Infrastructure Improvements	258.2	217.6
Vehicles	431.5	176.6
Construction in Progress	514.2	8.0
Less: Accumulated Depreciation	<u>(163.6)</u>	<u>(109.9)</u>
Total Non-Current Assets	<u>1,204.0</u>	<u>456.0</u>
Total Assets	<u>3,581.9</u>	<u>1,030.1</u>
Liabilities:		
Accounts Payable & Other Current Liabilities	307.3	4.6
Bond Payable	<u>2,027.4</u>	<u>-</u>
Total Liabilities	<u>2,334.7</u>	<u>4.6</u>
Net Position:		
Invested in Capital Assets	(823.4)	456.0
Restricted For:		
Federal and State Programs	1.0	-
Debt Service	12.8	-
Capital Projects	1,501.2	-
Unrestricted	<u>555.6</u>	<u>569.5</u>
Total Net Position	<u>\$ 1,247.2</u>	<u>\$ 1,025.5</u>

**Changes in net position.** The City's total revenues were \$1,355.8 thousand and total expenses were \$1,134.1 thousand, which resulted in an increase in net position of \$221.7 thousand (see Table A-2). The increase in revenues is primarily attributable to the receipt of a FAST grant for a firetruck, CDBG grant for street revitalization and an increase in property taxes. Public Works expenditures increased due to additional road projects during the year and issuance costs related to issuance of a new bond.

**Table A-2**  
**Changes in City's Net Position**  
*(in thousands of dollars)*

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Program Revenues:		
Grants and Contributions	\$ 532.3	\$ 3.1
Charges for Services	24.2	16.3
General Revenues:		
Property Taxes	672.4	485.8
Sales Taxes	66.6	39.5
Franchise Fees	36.7	37.7
Investment Earnings	23.0	0.4
Miscellaneous	0.6	1.5
Total Revenues:	<u>1,355.8</u>	<u>584.3</u>
Program Expenses:		
General Government	213.9	136.1
Public Safety	116.6	65.1
Public Works	614.7	409.9
Municipal Court	25.4	12.4
Interest on Long-term Debt	55.4	-
Bond Issuance Costs	108.1	-
Total Program Expenses	<u>1,134.1</u>	<u>623.5</u>
Change in Net Position	<u>\$ 221.7</u>	<u>\$ (39.2)</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2020, the City had invested \$1,367.6 thousand in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.)

**Table A-3**  
 City's Capital Assets  
 (In thousands of dollars)

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Construction in Progress	\$ 514.2	\$ 8.0
Land	16.5	16.5
Buildings	147.2	147.2
Infrastructure Improvements	258.2	217.6
Vehicles	<u>431.5</u>	<u>176.6</u>
Totals at Historical Cost	1,367.6	565.9
Accumulated Depreciation	<u>(163.6)</u>	<u>(109.9)</u>
Net Capital Assets	<u>\$ 1,204.0</u>	<u>\$ 456.0</u>

**Long-term Debt**

At year end, the City had \$2,027.4 thousand in outstanding long-term debt as shown in Table A-4. More detailed information about the City's debt is presented in the Notes to the Financial Statements.

**Table A-4**  
 City's Long-Term Debt  
 (In thousands of dollars)

	Governmental Activities		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Bonds	\$ 1,920.0	\$ -	\$ 1,920.0
Premium	107.4	-	107.4
	<u>\$ 2,027.4</u>	<u>\$ -</u>	<u>\$ 2,027.4</u>

**ANALYSIS OF THE CITY'S FUNDS**

**General Fund Budgetary Highlights**

Over the course of the year, the City revised its budget two times. Actual expenditures were \$198.9 thousand more than final budget amounts and revenues were \$231.1 thousand more than final budget amounts. The positive variance in revenues is primarily due to a FAST grant for a firetruck which was not anticipated. The negative variance in expenditures is primarily due to additional road maintenance projects and the purchase of a firetruck which were not included in the budgeting process, even though the City had cash on hand to complete the projects.

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

- The City is expecting to increase property tax revenue only slightly in 2021 from 2020, due to an increase in appraised property values and a decrease in the M&O tax rate used for the 2021 budget preparation.
- Expenditures for fiscal year 2021 are expected to be \$665.7 thousand which is \$261.8 thousand less than the final 2020 actual amount of \$927.5 thousand.

These indicators were taken into account when adopting the general fund budget for 2021. Amounts available for appropriation in the general fund budget are \$595.7 thousand, a decrease of \$331.8 thousand from the final 2020 actual amount of \$927.5 thousand. Sales taxes are expected to increase \$16.5 thousand over the prior year budget and franchise fees are expected to remain the same. The City will use any increases in revenues to finance programs it currently offers.

If these estimates are realized, the General Fund's budgetary fund balance is expected to decrease by \$70.0 thousand by the close of 2021.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate 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 Services Department.

*Basic Financial Statements*



**CITY OF IVANHOE, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,843,206
Receivables:	
Property Taxes	244,878
Intergovernmental	12,653
Internal Balances	277,184
Capital Assets (Net of Accumulated Depreciation)	<u>1,203,982</u>
Total Assets	<u>3,581,903</u>
<b>LIABILITIES:</b>	
Accounts Payable and Other Current Liabilities	302,309
Accrued Interest Payable	4,943
Noncurrent Liabilities:	
Notes Payable	
Due Within One Year	75,000
Due in More Than One Year	<u>1,952,445</u>
Total Liabilities	<u>2,334,697</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	(823,463)
Restricted For:	
Federal and State Programs	1,011
Debt Service	12,828
Capital Projects	1,501,206
Unrestricted	<u>555,624</u>
Total Net Position	<u>\$ 1,247,206</u>

The accompanying notes are an integral part of this statement.

**CITY OF IVANHOE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 213,900	\$ 10,455	\$ -	\$ (203,445)
Public Safety	116,548	-	225,380	108,832
Public Works	614,686	9,689	306,976	(298,021)
Municipal Court	25,424	4,015	-	(21,409)
Interest on Long-term Debt	55,441	-	-	(55,441)
Bond Issuance Costs	108,100	-	-	(108,100)
Total Governmental Activities	<u>1,134,099</u>	<u>24,159</u>	<u>532,356</u>	<u>(577,584)</u>
Total Primary Government	<u>\$ 1,134,099</u>	<u>\$ 24,159</u>	<u>\$ 532,356</u>	<u>(577,584)</u>
General Revenues:				
Property Taxes				672,410
Sales Taxes				66,599
Franchise Fees				36,733
Miscellaneous Income				573
Unrestricted Investment Earnings				22,961
Total General Revenues				<u>799,276</u>
Change in Net Position				221,692
Net Position - Beginning				1,025,514
Net Position - Ending				<u>\$ 1,247,206</u>

The accompanying notes are an integral part of this statement.

**CITY OF IVANHOE, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
Cash and Cash Equivalents	\$ 138,299	\$ 12,828
Receivables:		
Property Taxes	188,130	56,748
Intergovernmental Receivables	14,871	-
Interfund Receivables	206,661	-
Total Assets	<u>\$ 547,961</u>	<u>\$ 69,576</u>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Accounts Payable	\$ 27,180	\$ -
Municipal Court Fees Payable	163	-
Interfund Payables	16,799	-
Total Liabilities	<u>44,142</u>	<u>-</u>
Deferred Inflows of Resources:		
Deferred Revenue	188,130	56,748
Total Deferred Inflows of Resources	<u>188,130</u>	<u>56,748</u>
Fund Balances:		
Restricted for Federal and State Programs	-	-
Restricted for Debt Service	-	12,828
Restricted for Capital Projects	-	-
Unassigned	315,689	-
Total Fund Balances	<u>315,689</u>	<u>12,828</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 547,961</u>	 <u>\$ 69,576</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

CDBG Revitalization Project Fund	Street Construction Fund	Total Governmental Funds
\$ 190,873	\$ 1,501,206	\$ 1,843,206
-	-	244,878
274,966	-	289,837
-	-	206,661
<u>\$ 465,839</u>	<u>\$ 1,501,206</u>	<u>\$ 2,584,582</u>
\$ 274,966	\$ -	\$ 302,146
-	-	163
189,862	-	206,661
<u>464,828</u>	<u>-</u>	<u>508,970</u>
-	-	244,878
<u>-</u>	<u>-</u>	<u>244,878</u>
1,011	-	1,011
-	-	12,828
-	1,501,206	1,501,206
-	-	315,689
<u>1,011</u>	<u>1,501,206</u>	<u>1,830,734</u>
<u>\$ 465,839</u>	<u>\$ 1,501,206</u>	<u>\$ 2,584,582</u>

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

Total fund balances - governmental funds balance sheet	\$ 1,830,734
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,203,982
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	244,878
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,920,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,943)
Bond premiums are amortized in the SNA but not in the funds.	<u>(107,445)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,247,206</u>

The accompanying notes are an integral part of this statement.

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**CITY OF IVANHOE, TEXAS**

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

	General Fund	Debt Service Fund
Revenue:		
Property Taxes	\$ 492,410	\$ 139,579
General Sales and Use Taxes	61,534	-
License and Permits	2,680	-
Intergovernmental	230,859	-
Charges for Services	192	-
Fees	10,503	-
Investment Earnings	1,421	4,357
Franchise Fees	36,733	-
Contributions and Donations	33,300	-
Restricted Sales Tax	5,065	-
Municipal Fines and Fees	4,015	-
Miscellaneous Income	528	45
Total Revenues	<u>879,240</u>	<u>143,981</u>
Expenditures:		
Current:		
General Government	190,196	-
Public Safety	107,653	-
Public Works	604,276	-
Municipal Court	25,424	-
Debt Service:		
Principal	-	75,000
Interest and Fiscal Charges	-	56,153
Bond Issuance Costs	-	-
Total Expenditures	<u>927,549</u>	<u>131,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,309)	12,828
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(1,010)	-
Bond Proceeds	-	-
Premium on Bonds Issued	-	-
Total Other Financing Sources (Uses)	<u>(1,010)</u>	<u>-</u>
Net Change in Fund Balances	(49,319)	12,828
Fund Balances - Beginning	365,008	-
Fund Balances - Ending	<u>\$ 315,689</u>	<u>\$ 12,828</u>

The accompanying notes are an integral part of this statement.

CDBG Revitalization Project Fund	Street Construction Fund	Total Governmental Funds
\$ -	\$ -	\$ 631,989
-	-	61,534
-	-	2,680
274,966	-	505,825
-	-	192
-	-	10,503
1	17,182	22,961
-	-	36,733
-	-	33,300
-	-	5,065
-	-	4,015
-	-	573
<u>274,967</u>	<u>17,182</u>	<u>1,315,370</u>
-	-	190,196
-	-	107,653
274,966	515,976	1,395,218
-	-	25,424
-	-	75,000
-	-	56,153
-	108,100	108,100
<u>274,966</u>	<u>624,076</u>	<u>1,957,744</u>
1	(606,894)	(642,374)
1,010	-	1,010
-	-	(1,010)
-	1,995,000	1,995,000
-	113,100	113,100
<u>1,010</u>	<u>2,108,100</u>	<u>2,108,100</u>
1,011	1,501,206	1,465,726
-	-	365,008
<u>\$ 1,011</u>	<u>\$ 1,501,206</u>	<u>\$ 1,830,734</u>



**CITY OF IVANHOE, TEXAS**

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

Net change in fund balances - total governmental funds	\$ 1,465,726
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	801,666
The depreciation of capital assets used in governmental activities is not reported in the funds.	(53,733)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	40,421
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	75,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	5,655
(Increase) decrease in accrued interest from beginning of period to end of period.	(4,943)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,995,000)
Bond premiums are reported in the funds but not in the SOA.	<u>(113,100)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 221,692</u>

The accompanying notes are an integral part of this statement.

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Significant Accounting Policies

The combined financial statements of City of Ivanhoe, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The City reports the following major governmental funds:

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

**Debt Service Fund.** This fund accounts for the accumulation of resources for the payment of principal and interest on the general long-term debt of the City. Property taxes are used for the payment of this debt.

**Capital Projects Fund.** This fund accounts for major construction project expenditures of the City.

**Special Revenue Fund.** These funds account for Federal and State grant revenue and expenditures.

b. **Measurement Focus, Basis of Accounting**

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

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

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

3. **Financial Statement Amounts**

a. **Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds 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 IVANHOE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

b. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

c. 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. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. 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.

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position) and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial 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.

f. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable 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).

**CITY OF IVANHOE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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 City Council. Committed amounts cannot be used for any other purpose unless the City Council 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 City Council. 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 City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys 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.

g. Estimates

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

B. 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>
The General Fund expenditures were over appropriations by \$198,912.	The City will monitor the budget regularly.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund 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

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

C. Deposits and Investments

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

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 temporary investments) was \$1,843,206 and the bank balance was \$1,848,617. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports 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, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

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.

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.

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City currently has no investments that require Fair Value Measurement.

**CITY OF IVANHOE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,457	\$ -	\$ -	\$ 16,457
Construction in progress	8,049	506,161	-	514,210
Total capital assets not being depreciated	<u>24,506</u>	<u>506,161</u>	<u>-</u>	<u>530,667</u>
Capital assets being depreciated:				
Buildings	147,231	-	-	147,231
Infrastructure Improvements	217,625	40,553	-	258,178
Vehicles	176,590	254,952	-	431,542
Total capital assets being depreciated	<u>541,446</u>	<u>295,505</u>	<u>-</u>	<u>836,951</u>
Less accumulated depreciation for:				
Buildings	(18,436)	(5,920)	-	(24,356)
Infrastructure Improvements	(57,578)	(12,909)	-	(70,487)
Vehicles	(33,889)	(34,904)	-	(68,793)
Total accumulated depreciation	<u>(109,903)</u>	<u>(53,733)</u>	<u>-</u>	<u>(163,636)</u>
Total capital assets being depreciated, net	<u>431,543</u>	<u>241,772</u>	<u>-</u>	<u>673,315</u>
Governmental activities capital assets, net	<u>\$ 456,049</u>	<u>\$ 747,933</u>	<u>\$ -</u>	<u>\$ 1,203,982</u>

Depreciation was charged to functions as follows:

General Government	\$ 23,704
Public Safety	8,895
Public Ways and Facilities, Including General Infrastructure Assets	21,134
	<u>\$ 53,733</u>

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Fund	\$ 189,862	For transfer of federal receipts
	Total	<u>\$ 189,862</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

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

Transfers From	Transfers To	Amount	Reason
General fund	Special Revenue Fund	\$ 1,010	Supplement other funds sources
	Total	<u>\$ 1,010</u>	



**CITY OF IVANHOE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ -	\$ 1,995,000	\$ 75,000	\$ 1,920,000	\$ 75,000
Adjustments for:					
Discounts and Premiums	-	113,099	5,654	107,445	-
<b>Total governmental activities</b>	<b>\$ -</b>	<b>\$ 2,108,099</b>	<b>\$ 80,654</b>	<b>\$ 2,027,445</b>	<b>\$ 75,000</b>

**2. Debt Service Requirements**

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 75,000	\$ 59,975	\$ 134,975
2022	75,000	56,975	131,975
2023	80,000	53,975	133,975
2024	80,000	50,775	130,775
2025	85,000	47,575	132,575
2026-2030	475,000	186,975	661,975
2031-2035	555,000	96,375	651,375
2036-2040	495,000	37,050	532,050
<b>Totals</b>	<b>\$ 1,920,000</b>	<b>\$ 589,675</b>	<b>\$ 2,509,675</b>

**Governmental Activities:**

**Bonds Payable**

The City issued General Obligation Bonds, Series 2019 dated October 1, 2019. Principal and interest payments are due each March and September beginning March 1, 2020 and ending September 2039. The interest rate varies from 4% to 2.5%. The bonds are to be used to construct and improve roads in the City. Bonds are payable from and secured by an annual ad valorem tax.

Balance at September 30, 2020 \$ 1,920,000

**3. Continuing Disclosure**

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

**CITY OF IVANHOE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2020, as follows:

Rental Expenditures in 2020	\$ <u>1,200</u>
-----------------------------	-----------------

H. 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 obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Health Care Coverage

The City does not provide health insurance coverage for its employees.

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2020.

K. Subsequent Events

The City did not have any subsequent events through March 19, 2021, which is the date the financial statements are available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2020.

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## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**CITY OF IVANHOE, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 476,721	\$ 476,721	\$ 492,410	\$ 15,689
General Sales and Use Taxes	38,500	38,500	61,534	23,034
License and Permits	-	-	2,680	2,680
Intergovernmental	-	83,616	230,859	147,243
Charges for Services	-	-	192	192
Fees	2,000	2,000	10,503	8,503
Investment Earnings	300	300	1,421	1,121
Franchise Fees	38,500	38,500	36,733	(1,767)
Contributions and Donations	-	-	33,300	33,300
Restricted Sales Tax	-	-	5,065	5,065
Municipal Fines and Fees	8,500	8,500	4,015	(4,485)
Miscellaneous Income	-	-	528	528
Total Revenues	<u>564,521</u>	<u>648,137</u>	<u>879,240</u>	<u>231,103</u>
Expenditures:				
Current:				
General Government	190,650	190,650	190,196	454
Public Safety	61,000	61,000	107,653	(46,653)
Public Works	367,771	451,387	604,276	(152,889)
Municipal Court	25,600	25,600	25,424	176
Total Expenditures	<u>645,021</u>	<u>728,637</u>	<u>927,549</u>	<u>(198,912)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,500)	(80,500)	(48,309)	32,191
Other Financing Sources (Uses):				
Transfers Out	-	-	(1,010)	(1,010)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,010)</u>	<u>(1,010)</u>
Net Change in Fund Balances	(80,500)	(80,500)	(49,319)	31,181
Fund Balances - Beginning	365,008	365,008	365,008	-
Fund Balances - Ending	<u>\$ 284,508</u>	<u>\$ 284,508</u>	<u>\$ 315,689</u>	<u>\$ 31,181</u>

**CITY OF IVANHOE, TEXAS**  
**CDBG ROAD IMPROVEMENT PROJECT**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 275,000	\$ 275,000	\$ 274,966	\$ (34)
Investment Earnings	-	-	1	1
Total Revenues	<u>275,000</u>	<u>275,000</u>	<u>274,967</u>	<u>(33)</u>
Expenditures:				
Current:				
Public Works	275,000	275,000	274,966	34
Debt Service:				
Total Expenditures	<u>275,000</u>	<u>275,000</u>	<u>274,966</u>	<u>34</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1	1
Other Financing Sources (Uses):				
Transfers In	-	-	1,010	1,010
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,010</u>	<u>1,010</u>
Net Change in Fund Balances	-	-	1,011	1,011
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,011</u>	<u>\$ 1,011</u>

## **CITY OF IVANHOE, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **Budgetary Data**

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

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

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, 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. During the year, the budget was amended. All budget appropriations lapse at year end.



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## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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**CITY OF IVANHOE, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT B-3**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 131,153	\$ 131,153	\$ 139,579	\$ 8,426
Investment Earnings	-	-	4,357	4,357
Miscellaneous Income	-	-	45	45
Total Revenues	<u>131,153</u>	<u>131,153</u>	<u>143,981</u>	<u>12,828</u>
Expenditures:				
Debt Service:				
Principal	131,153	131,153	75,000	56,153
Interest and Fiscal Charges	-	-	56,153	(56,153)
Capital Outlay:				
Total Expenditures	<u>131,153</u>	<u>131,153</u>	<u>131,153</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	12,828	12,828
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	12,828	12,828
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,828</u>	<u>\$ 12,828</u>

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**DAVIS, HEINEMANN & COMPANY, P.C.**

***CERTIFIED PUBLIC ACCOUNTANTS***

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P.O. BOX 6308

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Independent Auditor's 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*

City Council  
City of Ivanhoe, Texas  
870 Charmaine Drive East  
Woodville, Texas 75979

Members of the City Council:

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, each major fund, and the aggregate remaining fund information of City of Ivanhoe, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Ivanhoe, Texas' basic financial statements, and have issued our report thereon dated March 19, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann + Co.".

Davis, Heinemann & Company, P.C.

Huntsville, Texas

March 19, 2021