

TOWN OF ANTHONY, TEXAS

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Anthony, Texas (the Town) annual financial report presents our discussion and analysis of the Town's financial performance during the year ended September 30, 2018. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's total combined assets were \$12,465,223 for the year ended September 30, 2018.
- During the year, the Town's expenses were \$4,926,642 for the year ended September 30, 2018.

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 Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.
- The remaining statements include fund financial statements that focus on individual parts of the government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements explain 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 which the Town 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 Town's Annual Financial Report

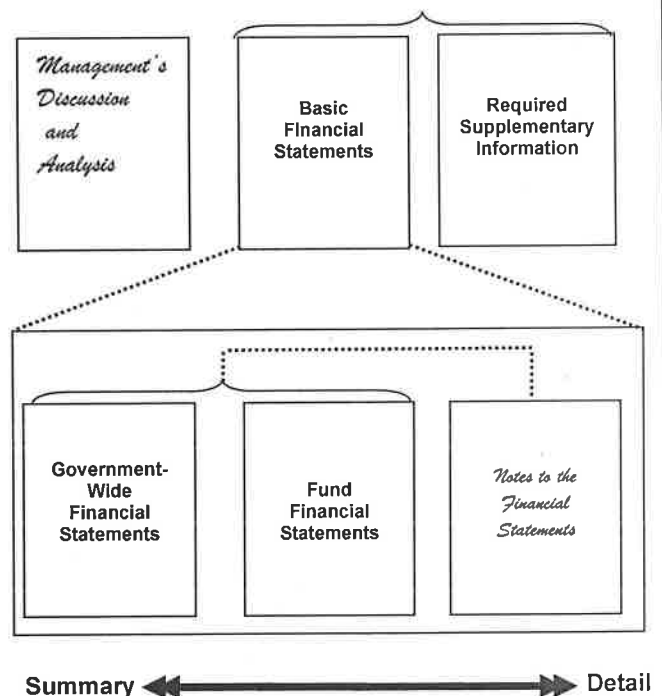


Figure A-2. Major Features of the Board

			Fund Statements	
<i>Type of Statements</i>	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Center (except fiduciary funds) and the Agency's component units	The activities of the Center that are not proprietary or fiduciary	Activities the Center operates similar to private businesses: self insurance	Instances in which the Center is the trustee or agent for someone else's resources
Required financial statements	▪ Statement of net assets	Balance Sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures & changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

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.

Figure A-2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the government's assets and liabilities. All 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 Town's net assets and how they have changed. Net assets – the difference between the Town's assets and liabilities.

The government-wide financial statements of the Town include the Governmental activities. Most of the Town's services are included, such as sales taxes, property taxes, licenses and permits, grants, etc.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – Most of the Town’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 in subsequent year. 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 Town’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 explains the relationship (or differences) between them.

Proprietary funds – The Town has one type of proprietary funds which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

- **Total assets:** The Town’s combined total assets were \$5,204,584, \$5,929,112 and \$4,522,432 at September 30, 2018, 2017 and 2016 (Table A-1).

Table A-1
Town of Anthony, Texas’s Net Position
Governmental Activities

	September 30, 2018	September 30, 2017	September 30, 2016
Current and Other Assets	\$ 1,700,918	\$ 2,615,807	\$ 1,161,192
Capital and Non-Current Assets	3,503,666	3,313,305	3,361,240
Total Assets	5,204,584	5,929,112	4,522,432
 Total Deferred Outflows of Resources	 63,549	 80,072	 79,693
 Current Liabilities	 454,969	 505,708	 549,703
Long-Term Liabilities	2,685,640	2,975,980	5,821,667
Total Liabilities	3,140,609	3,481,688	6,371,730
 Total Deferred Inflows of Resources	 102,262	 56,247	 -
 Investment in Capital Assets	 -	 787,761	 2,334,504
Restricted	525,566	867,092	881,992
Unrestricted (deficit)	1,499,696	816,396	(4,985,741)
Total Net Position	\$ 2,025,262	\$ 2,471,249	\$ (1,769,245)

Changes in net position. The Town's total revenues were \$2,981,391, \$3,074,257 and \$2,999,350 for the years ended September 30, 2018, 2017 and 2016. Majority of the Town's revenues were attributed to property and sales taxes. The total costs of all services were \$3,427,378, \$2,388,165 and \$2,480,075 for the years ending September 30, 2018, 2017 and 2016.

Table A-2
Town of Anthony, Texas's Statement of Activities
Governmental Activities

	September 30, 2018	September 30, 2017	September 30, 2016
Revenues			
Charges for services	\$ 656,793	\$ 460,210	\$ 624,754
Grants and contributions	292,090	155,293	242,014
Property and sales taxes	1,958,472	1,892,293	1,437,597
Transfers	-	268,225	483,493
Other	47,036	298,236	211,492
Total Revenues	<u>2,981,391</u>	<u>3,074,257</u>	<u>2,999,350</u>
Expenses			
General government	2,484,407	721,251	727,530
Police	465,296	1,166,600	1,327,366
Streets	80,484	104,053	126,810
Parks	50,986	78,656	82,662
Courts	277,522	171,802	152,889
Interest on debt	68,683	81,107	62,818
Other debt service	-	64,696	-
Total Expenses	<u>3,427,378</u>	<u>2,388,165</u>	<u>2,480,075</u>
 Change in Net Position	 (445,987)	 686,092	 (3,364,212)
Net Position – Beginning	2,471,249	(1,769,245)	1,594,967
 Prior Period Adjustment	 <u>-</u>	 <u>3,554,402</u>	 <u>-</u>
Net Position – Ending	<u>\$ 2,025,262</u>	<u>\$ 2,471,249</u>	<u>\$ (1,769,245)</u>

CONDENSED STATEMENT OF NET POSITION (BUSINESS-TYPE ACTIVITIES)

- **Total assets:** The Town's combined total assets were \$7,229,178, \$7,042,522 and \$7,298,170 at September 30, 2018, 2017 and 2016, (Table A-3).

Table A-3
Town of Anthony, Texas
Business-Type Activities

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
Current Assets	\$ 654,476	\$ 237,277	\$ 353,066
Capital Assets, net	6,538,322	6,805,245	6,945,104
Total Assets	7,229,178	7,042,522	7,298,170
 Total Deferred Outflows of Resources	 36,380	 43,129	 23,682
 Current Liabilities	 440,178	 403,694	 225,900
Long-Term Liabilities	3,397,091	3,476,358	134,183
Total Liabilities	3,805,181	3,880,052	360,083
 Total Deferred Inflows of Resources	 35,087	 16,292	 -
 Investment in Capital Assets	 3,057,065	 3,299,762	 6,893,366
Unrestricted (deficit)	299,757	(110,455)	68,403
Total Net Position	\$ 3,356,822	\$ 3,189,307	\$ 6,961,769

Changes in net position. The Town's total revenues were \$1,666,779, \$1,425,776 and \$1,279,810 for the years ended September 30, 2018, 2017 and 2016. Majority of the Town's revenues were attributed to water and sewer services provided. The total costs of all services were \$1,499,264, \$1,659,313, and \$1,574,416 for the years ending September 30, 2018, 2017 and 2016.

Table A-4
Town of Anthony, Texas's Statement of Activities
Business-Type Activities

	September 30, 2018	September 30, 2017	September 30, 2016
Revenues			
Charges for services	\$ 1,666,779	\$ 1,700,762	\$ 1,757,600
Other	-	23,250	-
Transfers	-	(298,236)	(477,790)
Total Revenues	<u>1,666,779</u>	<u>1,425,776</u>	<u>1,279,810</u>
Expenses			
Personnel costs	269,548	481,617	382,597
Depreciation	267,218	280,128	271,958
Public service fees	564,150	604,065	606,294
Other costs	398,348	293,503	313,567
Total Expenses	<u>1,499,264</u>	<u>1,659,313</u>	<u>1,574,416</u>
Transfer -capital assets	<u>-</u>	<u>-</u>	<u>3,883,487</u>
Change in Net Position	167,515	(233,537)	3,588,881
Net Position – Beginning	3,189,307	6,961,769	3,372,888
Prior Period Adjustment	<u>-</u>	<u>(3,538,925)</u>	<u>-</u>
Net Position – Ending	<u>\$ 3,356,822</u>	<u>\$ 3,189,307</u>	<u>\$ 6,961,769</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town Council increased the Ad valorem tax rate from .42114 to .663664. The increase in tax rates will produce an increase in revenues in FY 2019 and rates are expected to continue to increase in FY 2019.

Water rates will be raised in 2019 to cover the debt service to loans to help ensure that the water fund remains self-sufficient and able to cover their portion of the loan cost and to develop future water well sites. Sewer rates remained the same for fiscal year 2019.

The Town Council has established an Economic Development Advisory Committee to develop growth and promotion for the Town of Anthony. The current committee completed the process of developing a comprehensive plan to include infrastructure to support new business, light industry and beautification of the surrounding area. The Town expects to start the process in upcoming years.

Sales taxes are steadily increasing due to the opening of new restaurants and businesses.

The Town applied for a grant with Texas Community Development Block Grant to assist in street improvements. Improvements will include the re-pavement Poplar Street from 6th Street to Kellwood.

CONTACTING TOWN OF ANTHONY, TEXAS' FINANCIAL MANAGEMENT.

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk at 401 Wildcat Dr., Anthony, Texas 79821.

RENE D. PEÑA, CPA

CRISTINA A. SALAZAR, CPA

MELISA COTA GUEVARA, CPA

MEMBERS OF AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

4171 N. MESA, SUITE B100

EL PASO, TEXAS 79902-1498

PHONE: 915-542-1733

FAX: 915-544-5440

E-MAIL: cpa@cpaelpaso.com

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members of the Town Council
Town of Anthony, Texas**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and fiduciary fund information of the Town of Anthony, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Anthony, Texas'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 misstatements, 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 audits 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 statement.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Debt Service Fund	Qualified
Capital Project Fund	Qualified
Business-Type Activities	Qualified
Proprietary Funds	Qualified
Fiduciary Funds	Unmodified

Basis for Qualified Opinion on Governmental Activities, General, Debt Service, Capital Project, Business-Type Activities and Proprietary Funds

The general accounting for the Town of Anthony includes the governmental activities, general fund, debt service, capital project, business-type activities, and proprietary funds. The allocation of expenses related to the different component units identified above were not properly classified and proper allocation could not be determined as of year-end.

The accounting principles generally accepted in the United States of America require that all activities of the Town of Anthony be properly allocated and presented in the financial statements in the appropriate fund. The amount identified on the financial statements as suspense account, reflects the total amount of expenditures that although were considered to be appropriate for the Town as a whole the Town was unable to determine which fund account and direct expense account they should be allocated to in the statement of activities. The amount by which this departure would affect the classification of expenditures to each respective governmental activity has not been determined.

Qualified Opinion on Government and Business-Type Activities, General, Debt Service, Capital Project and Proprietary Funds

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on Governmental Activities, General, Debt Service, Capital Project, Business-Type Activities and Proprietary Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Anthony, Texas, as of September 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the Town of Anthony, Texas, as of September 30, 2018, 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, and the TMRS pension system information on pages i-vii and 47-50 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 Reporting Required by Government Auditing Standards

In Accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, Regulations, contract, 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 Town'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 Town of Anthony, Texas' internal control over financial reporting and compliance.



El Paso, Texas
October 7, 2020

TOWN OF ANTHONY, TEXASSTATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalent	\$ 1,617,394	\$ 475,515	\$ 2,092,909
Receivable, net of allowance			
Grants	35,385	-	35,385
Taxes	16,051	-	16,051
Charges for service	-	178,961	178,961
Due from other funds	32,088	(32,088)	-
Total current assets	<u>1,700,918</u>	<u>622,388</u>	<u>2,323,306</u>
Capital Assets			
Land	910,936	13,513	924,449
Other capital assets, net of accumulated depreciation	<u>2,592,730</u>	<u>6,524,809</u>	<u>9,117,539</u>
Total capital assets	<u>3,503,666</u>	<u>6,538,322</u>	<u>10,041,988</u>
Deferred outflows of resources			
pension, net	<u>63,549</u>	<u>36,380</u>	<u>99,929</u>
Total noncurrent assets	<u>3,567,215</u>	<u>6,574,702</u>	<u>10,141,917</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 5,268,133</u>	<u>\$ 7,197,090</u>	<u>\$ 12,465,223</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXASSTATEMENT OF NET POSITION (Continued)
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 54,899	\$ 65,959	\$ 120,858
Wages and benefits payable	103,346	38,686	142,032
Customer deposits	-	147,011	147,011
Notes, leases and obligations, current	41,724	36,434	78,158
Bonds payable, current	<u>255,000</u>	<u>120,000</u>	<u>375,000</u>
Total current liabilities	<u>454,969</u>	<u>408,090</u>	<u>863,059</u>
Notes, leases, obligation, non-current	171,709	99,333	271,042
Bonds payable, non-current	2,337,000	3,225,490	5,562,490
Net pension liability	176,931	72,268	249,199
Deferred inflows of resources			
pension, net	<u>102,262</u>	<u>35,087</u>	<u>137,349</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>3,242,871</u>	<u>3,840,268</u>	<u>7,083,139</u>
<u>NET POSITION</u>			
Investment in capital assets, net of related debt	-	3,057,065	3,057,065
Restricted for:			
Debt service	445,815	-	445,815
Program	79,751	-	79,751
Unrestricted	<u>1,499,696</u>	<u>299,757</u>	<u>1,799,453</u>
TOTAL NET POSITION	<u>\$ 2,025,262</u>	<u>\$ 3,356,822</u>	<u>\$ 5,382,084</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program					Net (Expense) Revenue
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
FUNCTIONS/PROGRAMS						
Primary Government:						
Governmental Activities						
General government	\$ 2,484,407	\$ 79,599	\$ -	\$ 8,750	\$	(2,396,058)
Public safety	465,296	47,602	283,340	-		(134,354)
Streets	80,484	159,765	-	-		79,281
Culture and recreation	50,986	-	-	-		(50,986)
Court	277,522	369,827	-	-		92,305
Interest	68,683	-	-	-		(68,683)
Total governmental activities	3,427,378	656,793	283,340	8,750		(2,478,495)
Business-Type Activities:						
Water, sewer and garbage	1,499,264	1,666,779	-	-		167,515
Total business-type activities	1,499,264	1,666,779	-	-		167,515
Total primary government	\$ 4,926,642	\$ 2,323,572	\$ 283,340	\$ 8,750	\$	(2,310,980)

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Change in net Assets:			
Net (expense) revenue	\$ (2,478,495)	\$ 167,515	\$ (2,310,980)
General Revenues			
Taxes			
Property and occupancy taxes	1,323,417	-	1,323,417
Sales taxes	662,055	-	662,055
Interest and investment income	-	-	-
Other	47,036	-	47,036
Total general revenues	<u>2,032,508</u>	<u>-</u>	<u>2,032,508</u>
Changes in net position	(445,987)	167,515	(278,472)
Net position - Beginning of year	<u>2,471,249</u>	<u>3,189,307</u>	<u>5,660,556</u>
Net position - Ending of year	<u>\$ 2,025,262</u>	<u>\$ 3,356,822</u>	<u>\$ 5,382,084</u>

See accompanying notes to the financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,337,454	\$ 279,940	\$ 1,617,394
Receivables, net of allowance			
Grants	35,385	-	35,385
Taxes	25,885	(9,834)	16,051
Due to water and sewer	32,088	-	32,088
Due from other funds	<u>(186,659)</u>	<u>186,659</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,244,153</u>	<u>\$ 456,765</u>	<u>\$ 1,700,918</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 45,063	\$ 9,836	\$ 54,899
Wages and benefits payable	<u>103,346</u>	<u>-</u>	<u>103,346</u>
Total liabilities	<u>148,409</u>	<u>9,836</u>	<u>158,245</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue- property taxes	<u>15,845</u>	<u>-</u>	<u>15,845</u>
Total deferred inflows of resources	<u>15,845</u>	<u>-</u>	<u>15,845</u>
<u>FUND EQUITY</u>			
Restricted for			
Debt service	-	446,929	446,929
Unassigned	<u>1,079,899</u>	<u>-</u>	<u>1,079,899</u>
Total fund equity	<u>1,079,899</u>	<u>446,929</u>	<u>1,526,828</u>
TOTAL	<u>\$ 1,244,153</u>	<u>\$ 456,765</u>	<u>\$ 1,700,918</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Position:

Amounts presented for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental	1,526,828
Capital assets net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.	3,503,666
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	15,845
Long-term liabilities on bonds and notes payable are not due and payable in the current period and are not reported in the funds.	(2,805,433)
Long-term liability on net pension, net of the deferred outflows of resources of resources pension.	<u>(215,644)</u>
Net position of governmental activities	<u>\$ 2,025,262</u>

TOWN OF ANTHONY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Sales taxes	\$ 662,055	\$ -	\$ 662,055
Property and occupancy taxes	849,609	473,808	1,323,417
Fines and forfeits	369,827	-	369,827
Street rentals	159,765	-	159,765
Licenses and permits	79,599	-	79,599
Impound income	47,599	-	47,599
Interest income	3	-	3
Grants	283,340	-	283,340
Contributions	8,750	-	8,750
Miscellaneous	47,036	-	47,036
Total revenues	<u>2,507,583</u>	<u>473,808</u>	<u>2,981,391</u>
EXPENDITURES			
General government	2,187,983	-	2,187,983
Public safety	465,296	-	465,296
Streets	80,484	-	80,484
Culture and recreation	50,986	-	50,986
Court	277,522	-	277,522
Capital outlays	481,335	-	481,335
Principal retirements	41,937	224,000	265,937
Interest	68,683	-	68,683
Total expenditures	<u>3,654,226</u>	<u>224,000</u>	<u>3,878,226</u>
OTHER FINANCING SOURCES (USED)			
Adjustment of debt	47,085	-	47,085
Total other financing sources	<u>47,085</u>	<u>-</u>	<u>47,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,099,558)	249,808	(849,750)
FUND BALANCES, Beginning	<u>2,179,457</u>	<u>197,121</u>	<u>2,376,578</u>
FUND BALANCES, Ending	<u>\$ 1,079,899</u>	<u>\$ 446,929</u>	<u>\$ 1,526,828</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Net change in fund balances- total governmental funds			\$ (849,750)
Amounts reported governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays of \$481,335 exceeded depreciation of (\$290,974) in the current year.			190,361
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayment or retirement of debt principal of \$265,397 exceeded issuing new debt (\$47,085).			218,312
The change in net pension liability from year to year that is recorded through the statement of activities and the amortization of the deferred outflow (inflow) of resources related to the pension liability in the current year is \$155,484.			<u>162,605</u>
Change in net position of governmental activities			<u>\$ (278,472)</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

	<u>2018</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalent	\$ 475,515
Receivable, net of allowance	178,961
Total current assets	<u>654,476</u>
Capital Assets	
Land	13,513
Other capital assets, net of accumulated depreciation	6,524,809
Total capital assets	<u>6,538,322</u>
Deferred outflows of resources pension , net	<u>36,380</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>7,229,178</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	\$ 65,959
Wages and benefits payable	38,686
Due to other funds	32,088
Customer deposits	147,011
Notes payable, current	36,434
Bonds payable, current	120,000
Total current liabilities	<u>440,178</u>
Note payable, non-current	99,333
Bond payable, non-current	3,225,490
Net pension liability	72,268
Deferred inflows of resources pension, net	<u>35,087</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>3,872,356</u>
<u>NET POSITION</u>	
Investment in capital assets, net of related debt	3,057,065
Unrestricted net assets	299,757
TOTAL NET POSITION	<u>3,356,822</u>
TOTAL	\$ <u>7,229,178</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>
OPERATING REVENUES	
Water fees	\$ 603,628
Sewer fees	393,796
Public service	<u>669,355</u>
Total operating revenues	<u>1,666,779</u>
OPERATING EXPENSES	
Personnel costs	269,548
Repairs and maintenance	66,095
Depreciation and amortization	267,218
Electricity and telephone	111,388
Professional services	66,240
Public service fees	564,150
Interest expense	13,808
Operating supplies and other cost	<u>140,817</u>
Total operating expenses	<u>1,499,264</u>
CHANGE IN NET POSITION	167,515
NET POSITION, Beginning	<u>3,189,307</u>
NET POSITION, Ending	<u>\$ 3,356,822</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**STATEMENT OF CASH FLOW
PROPRIETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,666,779
Cash payments to employees	
Payments for interest	(269,548)
Payments for repairs and maintenance	(66,095)
Payments for electricity and telephone	(111,388)
Payments for professional services	(66,240)
Payments for operating supplies and other costs	<u>(710,355)</u>
Net cash provided by operating activities	<u>443,153</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Cash received from the sale of assets	-
Issuance of new debt	128,276
Payment on debt	<u>(152,502)</u>
Net cash provided by capital and related financing	<u>(24,226)</u>
 NET INCREASE IN CASH	 418,927
 CASH AND CASH EQUIVALENT, Beginning	 <u>56,588</u>
 CASH AND CASH EQUIVALENT, Ending	 <u>\$ 475,515</u>

See accompanying notes to financial statements and independent auditor's review.

TOWN OF ANTHONY, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETY FUND (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2018</u>
RECONCILIATION OF NET INCOME (LOSS) TO CASH FLOWS	
FROM OPERATING ACTIVITIES:	
Net income	\$ 167,515
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	267,218
(Increase) decrease in:	
Accounts receivable	1,728
Due from other funds	2,609
Deferred outflows of resources pension	6,749
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,446)
Net pension liability	(31,335)
Customer deposits	7,723
Deferred inflows of resources pension	18,795
Due to other funds	<u>4,597</u>
 Net cash provided by operating activities	 <u>\$ 443,153</u>

TOWN OF ANTHONY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2018

	<u>Deferred</u>
	<u>2018</u>
<u>ASSETS</u>	
Investments, at fair value	<u>\$ 300,339</u>
Total Assets	<u>\$ 300,339</u>
<u>LIABILITIES</u>	
Accounts payable	<u>\$ -</u>
Total Liabilities	<u>-</u>
Net position, held in trust for pension benefits	<u>\$ 300,339</u>

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Deferred
	2018
<u>ADDITIONS</u>	
Contributions	\$ 19,425
Investment income	42,464
Total additions	61,889
<u>DEDUCTIONS</u>	
Benefits	65,519
Administrative expenses	450
Total deductions	65,969
Net increase (decrease)	(4,080)
Net position - Beginning of the year	304,419
Net position - End of the year	\$ 300,339

See accompanying notes to financial statements and independent auditor's report.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Town of Anthony, Texas (the Town) is presented to assist in understanding the Town's financial statements. The financial statements and notes are representations of the Town's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments and have been consistently applied in the preparation of the financial statements.

The Town of Anthony, Texas, operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), streets, water and sewer, culture and recreation, public improvements, planning and zoning, and the general administrative services.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significant of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluations how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting in the financial reporting entity was made by applying criteria set forth in GASB Statement No. 80. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluations potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

TOWN OF ANTHONY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based on the application of these criteria, the Town has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

TOWN OF ANTHONY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements report uses this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

The governmental fund financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, special assessments, sales taxes, and interests associated with the current fiscal period are all considered to be susceptible to accruals and so have been recognized as revenues of the current fiscal period. Expenditures-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenue. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town facilities, etc. (b) program-specific operating grants, which includes revenues received from state and federal sources to be used in specified within each program and grant revenue, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used in capital projects (of which there are none). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

Unavailable revenue from property taxes arise only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources and recognize revenue in the period that the amount becomes available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Town to refund all or part of the unused amount.

The proprietary funds types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. The basis of accounting recognizes revenue in the accounting period in which they are earned and become measurable and express in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. Net position is segregated into net investment in capital assets, restricted, and unrestricted.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems.

Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from nonoperation items. Operating revenues include activities that have the characteristics of an exchange transaction, such as (a) sales and services and (b) contracts and grants. Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as (a) investment income and (b) miscellaneous.

Operating expenses include activities that have the characteristics of an exchange transaction, such as (a) employee salaries, benefits, and related expenses; (b) utilities, supplies, and other services; (c) professional fees; (d) repairs and maintenance; (e) depreciation expenses related to Town capital assets and long-term debt. Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital assets-related debt that are defined as nonoperating expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

The net position of the Town is reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; 3) unrestricted. Restricted net assets results from constraints placed on the use of net position when externally imposing creditors, grantors, laws and regulations of other governments and/or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those accounted for in another fund.

Debt Service Fund - The Debt Services Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Funds required to service current- year obligations are supplemented by the current-year earning transfers, not prior-year accumulated earnings.

Capital Projects Fund – The Capital Projects Fund is used to account for the accumulation of resources for, and payment of expenditures of, the clean water project.

The Town reports the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges. The Fund has been supplemented significantly by grants for capital improvements.

The Town reports the following fiduciary fund:

Deferred Compensation Plan Fund - The Deferred Compensation Plan Fund is used to account for assets held by the Town in a trustee for agency capacity.

TOWN OF ANTHONY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of reporting cash flows, the Town considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Interfund Receivables and Payables

Interfund activity is reported as loans, services provided, reimbursement or transfers. 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. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectible amounts.

Property Taxes

Property taxes are levied on October 1st in conformity with Texas Property Tax Code. Property taxes uncollected after February 1st are considered delinquent. The taxes as an enforceable lien on property as of January 31st of the next year to secure the payment of all taxes, penalties, and interest ultimately imposed. The City of El Paso Tax Assessor Collector collects property taxes for the Town. The Town is permitted by the Texas Property Code to levy taxes for general services, permanent improvements, water works, sewers, and roads, streets, and bridges. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Towns property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40-50
Infrastructure	5-40
Furniture, machinery, and equipment	3-30

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has \$99,929 that are included in this classification at September 30, 2018.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Town has \$137,349 that are included in this classification at September 30, 2018.

Accrued Expenses

Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2018, along with applicable related payroll taxes and benefits. The Town provides its employees compensated absences for annual leave and sick leave.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. For bonds issued after GASB 34 was implemented, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. For fund financial reporting, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as other financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Balance

In the fund financial statements, governmental funds reported the following classifications of fund balance:

Non-spendable: includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted: includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: includes amounts that can be used only for the specific purpose by the Company's highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally.

Assigned: includes amounts that are intended to be used for specific purposes, but which do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. For the Town, the Chief Executive Officer has the authority to assign amounts.

Unassigned: is the residual classification for the general fund and includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The Town Council is the highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment or assignment is the approval of a motion by the council members. The motion must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

When multiple categories of Fund Balance are available for expenditure, the Town will use funds from the most restricted category first and then from the next category in the hierarchy of available funds. The Town does not have a formal minimum fund balance policy.

Net Position: Equity is classified as net position and displayed in three components:

- a. **Net investment in capital assets:** Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted Net Position:** Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position:** Net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

Budgets and Budgetary Accounting

The Town is required by the Texas Constitution to adopt an annual balance budget. The Town officially adopts the annual budget ordinance and all project ordinances and has the authority to amend such ordinances. All budgets are prepared on the modified accrual basis of accounting as required by Texas Law.

Use of Estimates

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

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net position asset or 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 have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town's annual budget for the General Fund is prepared based on estimated expenditures provided on a unit basis summarized by program category. The budget for the General Fund is prepared on an accounting basis consistent with generally accepted accounting principles with certain adjustments to arrive at a budgetary basis. The budget is submitted to the Town Council and the budget must have the Council's approval. All annual appropriations lapse at the fiscal year end.

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Funds presents comparisons of the legally adopted budget with actual data on a budgetary basis.

3. DEPOSITS AND COLLATERAL

Custodial Credit Risk – Deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2018, the Town's bank balance was \$1,844,157, of which up to \$250,000 is insured by the Federal Depository Insurance Corporation (FDIC) and \$2,241,546 is pledged with securities through Inter National Bank. The remaining \$397,389 is not insured however management does not anticipate any future losses.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

4. RECEIVABLES

Receivables consist of the following at September 30, 2018:

	2018		
	Gross	Allowance for Uncollectible Accounts	Net
Governmental Activities			
Taxes	\$ 51,358	\$ (35,307)	\$ 16,051
Grants	35,385	-	35,385
Total Governmental Activities	<u>\$ 86,743</u>	<u>\$ (35,307)</u>	<u>\$ 51,436</u>
Business-Type Activities			
Charges for services	\$ 181,070	\$ (2,109)	\$ 178,961
Total Business-Type Activities	<u>\$ 181,070</u>	<u>\$ (2,109)</u>	<u>\$ 178,961</u>

5. INTERFUND BALANCES

Interfund balances are the result of normal operations and are cleared out periodically. Management intends to pay out these balances as funds are available. Interfund balance at September 30, 2018 consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund:		
Capital Projects	\$ -	\$ 32,088
Debt Service	-	186,659
Debt Service:		
General Fund	186,659	-
Water & Sewer Fund:		
General Fund	32,088	-
Total	<u>218,747</u>	<u>218,747</u>

TOWN OF ANTHONY, TEXASNOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

6. CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is listed as follows:

	Balance 10/1/17	Additions	Transfers/ Disposals	Balance 9/30/18
Capital Assets, not depreciated				
Land	\$ 910,936	\$ -	\$ -	\$ 910,936
Construction in Process	544,534	207,319	-	751,853
Capital Assets, depreciated				
Buildings	231,518	-	-	231,518
Equipment and furniture	404,723	185,680	-	590,403
Parks	945,849	-	-	945,849
SIB/Spur 6	399,383	-	-	399,383
Improvements	1,675,910	59,870	-	1,735,780
Police equipment	1,547,855	28,466	-	1,576,321
Total Capital Assets	<u>6,660,708</u>	<u>481,335</u>	<u>-</u>	<u>7,142,043</u>
Less accumulated depreciation				
Buildings	\$ 122,820	\$ 7,788	-	\$ 130,608
Equipment and furniture	375,162	41,204	-	416,366
Parks	409,773	62,475	-	472,248
SIB/Spur 6	141,912	9,984	-	151,896
Improvements	1,075,882	59,400	-	1,135,282
Police equipment	1,221,854	110,123	-	1,331,977
Total accumulated depreciation	<u>3,347,403</u>	<u>290,974</u>	<u>-</u>	<u>3,638,377</u>
Governmental Activities Capital				
Assets, net	<u>\$ 3,313,305</u>	<u>\$ 190,361</u>	<u>\$ -</u>	<u>\$ 3,503,666</u>

Included in capital assets is \$399,383 from the Spur 6 Road Project. The Town participated in a joint construction project with the State of Texas of the construction of a road. The Town funded approximately \$400,000 of the total of approximately \$9 million; the rest was funded by the state. The \$399,383 has been capitalized as property on the Town's records, the state funding has not.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the function/programs of the governmental activities of the primary government as follows:

	<u>2018</u>
Governmental Activities:	
General government	\$ 59,843
Public Safety	110,123
Street	48,671
Culture and recreation	<u>72,337</u>
Total depreciation expense-governmental activities	<u>\$ 290,974</u>

A summary of changes in capital assets for the business-type activity:

	<u>Balance 10/1/17</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 9/30/18</u>
Capital Assets, not depreciated				
Land	\$ 13,513	\$ -	\$ -	\$ 13,513
Capital Assets, depreciated				
Equipment	592,426	-	-	592,426
Water/sewer improvements	7,677,611	-	-	7,677,611
Water treatment plant	<u>3,883,663</u>	<u>-</u>	<u>-</u>	<u>3,883,663</u>
Total capital assets	<u>12,167,213</u>	<u>-</u>	<u>-</u>	<u>12,167,213</u>
Less accumulated depreciation				
Equipment	\$ 353,439	\$ 32,749	\$ -	\$ 386,188
Water/sewer improvements	4,852,888	156,796	-	5,009,684
Water treatment plant	<u>155,346</u>	<u>77,673</u>	<u>-</u>	<u>233,019</u>
Total accumulated depreciation	<u>5,361,673</u>	<u>267,218</u>	<u>-</u>	<u>5,628,891</u>
Business-Type capital assets, net	<u>\$ 6,805,540</u>	<u>\$ (267,218)</u>	<u>\$ -</u>	<u>\$ 6,538,322</u>

TOWN OF ANTHONY, TEXASNOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

7. LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

	Balance 10/1/2017	Adjustment	Retired	Balance 9/30/2018	Due Within One Year
<i>Governmental Activities</i>					
<u>General obligation bonds</u>					
2012 General Obligation Refunding Bonds	\$ 1,315,433	\$ -	\$ 129,433	\$ 1,186,000	\$ 158,000
2014 Certification of Obligation	522,000	-	71,000	451,000	72,000
2016 Certification of Obligation	980,000	-	25,000	955,000	25,000
Total Bonds and Certificates of Obligation	2,817,433	-	225,433	2,592,000	255,000
<u>Note payable</u>					
Public Property Finance Contract 2016	51,155	-	16,389	34,766	17,043
Grant Repayment Agreement	132,389	47,085	12,744	166,730	12,744
Lease Purchase Agreement	23,308	-	11,371	11,937	11,937
Total Notes Payable	206,852	47,085	40,504	213,433	41,724
Total Governmental Activities	3,024,285	47,085	265,937	2,805,433	296,724
<i>Enterprise Activities</i>					
<u>General obligation bonds</u>					
2009 A General Obligation Bond	3,520,000	-	120,000	3,400,000	120,000
Unamortized Discount on 2009A Bond	(53,918)	2,596	3,188	(54,510)	-
Total General Obligation Bonds	3,466,082	2,596	123,188	3,345,490	120,000
<u>Note Payable</u>					
Public Property Finance Contract 2015	39,401	-	12,728	26,673	13,129
Public Property Finance Contract 2018	-	125,680	16,586	109,094	23,305
Total Notes Payable	39,401	125,680	29,314	135,767	36,434
Total Enterprise Activities	3,505,483	128,276	152,502	3,481,257	156,434
Total	\$ 6,529,768	\$ 175,361	\$ 418,439	\$ 6,286,690	\$ 453,158

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

7. LONG TERM DEBT (Continued)

General Obligation Bonds (Continued)

2009A Series General Obligation Bond

On December 11, 2009, the Town received \$3,927,344 of General Obligation Bonds, Series 2009A to be used in the clean water project. This is net of \$4,000,000 issued with a discount of \$72,656. As this is a non-interest-bearing tax-exempt obligation the discount is amortized as interest expense.

The annual requirements to service the 2009A Series General Obligation Bonds included in the Governmental Activities is as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 120,000	\$ 2,596	\$ 122,596
2020	120,000	2,596	122,596
2021	120,000	2,596	122,596
2022	120,000	2,596	122,596
2023	145,000	2,596	147,596
Thereafter	<u>2,775,000</u>	<u>41,536</u>	<u>2,816,536</u>
Total	<u>\$ 3,400,000</u>	<u>\$ 54,516</u>	<u>\$ 3,454,516</u>

2012 General Obligation Refunding Bonds

On September 18, 2012, the Town issued \$2,057,000 of General Obligation Refunding Bonds, Series 2012 with an average interest rate of 2.46% to refund \$2,009,000 of Series 2010 with an average interest rate of 6.25%. The net proceeds from the Series 2012 General Obligation Refunding Bonds were \$2,009,000; after payment of \$48,000 in cost of issuance, these proceeds and an additional \$8,103 were used to pay on September 18, 2012, full redemption price of, including principal and accumulated interest on the 2010 Series General Obligation Bonds. As a result, the 2010 Series Obligations were deceased and the liabilities for those obligations have been removed from the government wide statement of net position.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

7. LONG TERM DEBT (Continued)

General Obligation Bonds (Continued)

2012 General Obligation Refunding Bonds (Continued)

The annual requirements to service the 2012 Series General Obligation Refunding Bonds included in the Governmental Activities is as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 158,000	\$ 29,176	\$ 187,176
2020	161,000	25,288	186,288
2021	165,000	21,328	186,328
2022	170,000	17,270	187,270
2023	173,000	13,086	186,086
Thereafter	<u>359,000</u>	<u>13,310</u>	<u>372,310</u>
Total	<u>\$ 1,186,000</u>	<u>\$ 119,458</u>	<u>\$ 1,305,458</u>

2014 Series, Combination Tax Surplus Revenue Certificates of Obligation

On August 26, 2014, the Town received \$735,000 of Combination Tax Surplus Revenue Certificates of Obligation, Series 2014 to be used in the waterworks and sewer system, with an average interest rate of 1.275%. The net proceeds from this loan were \$679,157, net of \$55,843 of bond issuance costs. The certificate of obligation is secured by pledge of surplus revenues.

The annual requirements to service the 2014 Series Combination Tax Surplus Revenue Certificates of Obligation included in the Governmental Activities is as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 72,000	\$ 7,589	\$ 79,589
2020	73,000	6,804	79,804
2021	74,000	5,656	79,656
2022	76,000	4,263	80,263
2023	77,000	2,672	79,672
2024	<u>79,000</u>	<u>916</u>	<u>79,916</u>
Total	<u>\$ 451,000</u>	<u>\$ 27,900</u>	<u>\$ 478,900</u>

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

7. LONG TERM DEBT (Continued)

General Obligation Bonds (Continued)

2016 Series Combination Tax and Surplus Revenue Certificate of Obligation

On January 19, 2017, the Town received \$980,000 of Combination Tax Surplus revenue Certificates of Obligation, Series 2016 to be used in the waterworks and sewer system, with an average interest rate of 2.77%. The net proceeds from this loan were \$915,705, net of \$64,295 of bond issuance costs. The certificate of obligation is secured by pledge of surplus revenues.

The annual requirements to service the 2016 Series Combination Tax and Surplus Revenue Certificates of Obligation included in the Governmental Activities is as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 25,000	\$ 24,017	\$ 49,017
2020	25,000	23,779	48,779
2021	26,000	23,470	49,470
2022	26,000	23,102	49,102
2023	26,000	22,689	48,689
Thereafter	<u>827,000</u>	<u>301,280</u>	<u>1,128,280</u>
Total	<u>\$ 955,000</u>	<u>\$ 418,337</u>	<u>\$ 1,373,337</u>

Public Property Finance Contract 2016

During fiscal year 2016, the Town entered into a loan agreement to purchase equipment for \$84,420. The loan is payable annually beginning January 2016 at 3.831% for 5 years. The annual payments, including interest are \$18,430. The Town's debt payments on the loan will be as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 17,043	\$ 1,387	\$ 18,430
2020	<u>17,724</u>	<u>706</u>	<u>18,430</u>
Total	<u>\$ 34,767</u>	<u>\$ 2,093</u>	<u>\$ 36,860</u>

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

7. LONG TERM DEBT (Continued)

General Obligation Bonds (Continued)

Grant Repayment Loan

During fiscal year 2011, it was determined that a grant requirement was not met and that a portion of this grant in the amount of \$254,876 would need to be repaid over a period of 20 years. This is an interest free loan; therefore, imputed interest was calculated with an effective interest rate of 4%. The Town's debt payments on the loan will be as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 12,744	\$ -	\$ 12,744
2020	12,744	-	12,744
2021	12,744	-	12,744
2022	12,744	-	12,744
2023	12,744	-	12,744
Thereafter	103,010	-	103,010
Total	\$ 166,730	\$ -	\$ 166,730

Lease Purchase Agreement

During fiscal year 2011, baseball field lighting was purchased in the amount of \$181,500 as part of the Texas Park grant. This is to be repaid in 8 payments, the first of which for \$109,500 was paid in 2011 and the remaining amount is to be paid in 7 equal installments of \$12,567 with an interest rate of 5.15%.

The Town's debt payments on this loan will be as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 11,937	\$ 630	\$ 12,567

TOWN OF ANTHONY, TEXASNOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

7. LONG TERM DEBT (Continued)

General Obligation Bonds (Continued)Public Property Finance Contract 2015

During fiscal year 2015, a backhoe was purchased in the amount of \$85,600 of which \$64,600 was financed through a note payable. The note has annual payments of \$13,971 including interest of 3.155% starting March 2016.

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,129	\$ 842	\$ 13,971
2020	<u>13,544</u>	<u>427</u>	<u>13,971</u>
Total	<u>\$ 26,673</u>	<u>\$ 1,269</u>	<u>\$ 27,942</u>

Public Property Finance Contract 2018

During fiscal year 2018, an asphalt zipper was purchased in the amount of \$125,680 and was financed through a note payable. The note is payable monthly beginning January 2018 at 6.0% for 5 years.

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 23,305	\$ 5,912	\$ 29,217
2020	24,743	4,474	29,217
2021	26,269	2,948	29,217
2022	27,889	1,328	29,217
2023	<u>6,888</u>	<u>70</u>	<u>6,958</u>
Total	<u>\$ 109,094</u>	<u>\$ 14,732</u>	<u>\$ 123,826</u>

TOWN OF ANTHONY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

8. OPERATING LEASES

The Town has an operating lease on a copier under a long-term operating lease. Future minimum payments under this operating lease are as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ 6,254
2020	6,254
2021	<u>1,564</u>
Total	<u>\$ 14,072</u>

Rental expense for the year ended September 30, 2018, included in the Statements of Activities, totaled \$10,711 which included additional charges for excess copies.

9. DEFERRED COMPENSATION PLAN

All full-time employees of the Town of Anthony may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect To Service For State and Local Governments). Under the plan, employees may elect to defer a portion of their salaries and defer taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of IRC Section 457, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Town subject only to the claims of the Town's general creditors. In addition, the participants in the plan have rights equal to his or her share of the market value of the plan assets. The Town believes that it is unlikely that plan assets will be needed to satisfy possible claims from general creditors.

As part of its fiduciary role, the Town has an obligation of due care in selecting the third-party administrator. In the opinion of the Town's legal counsel, the Town has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

TOWN OF ANTHONY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

10. EMPLOYEES' RETIREMENT PLANS

Plan Description

The Town of Anthony participated as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Pension benefits are provided to all of the Town's full-time employees, with the exception of firefighters. The matching ratio (Town to Employee) is 1-1 and a member is considered vested after 5 years of service. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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

Employee Deposit Rate	Municipal Current Matching Ratio	Vesting Requirement	Service Retirement Eligibilities	Restricted Prior Service Credit	Supp. Death Benefits- Employees	Supp. Death Benefits- Reitees	Cont. Members
5%	1:01	5 Years	5 Yrs/Age 60, 20 Yrs/ Any age	12-05	X	X	36

TOWN OF ANTHONY, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

10. EMPLOYEES' RETIREMENT PLANS (Continued)

Employees covered by benefit terms

At December 31, 2017 valuation and measurement date, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>31</u>
	<u>60</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. This match is funded with monthly contributions by the participating municipality at an annual, actuarially determined rate. 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. A municipality may elect to increase or reduce its matching ratio effective January 1 of a calendar year. The Town elected a matching ratio of 1 to 1 (100%). Upon, an employee's retirement, the Town matched the accumulated employee contributions plus interest earned.

Employees for the Town of Anthony were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 3.20% and 3.25% in calendar years 2018 and 2017, respectively. The Town's contributions to TMRS for the year ended September 30, 2018 was \$36,914 and were equal to the required contributions.

Net Pension Liability

The Town's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

10. EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation.
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study if the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial assumptions used in the December 31, 2017; valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 to December 31, 2014. Healthy post-retirement mortality rates, and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table as of December 31, 2017:

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

10. EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

*Arithmetic

Discount Rate

The discount rate is used to measure the Total Pension Liability was 6.75% as of December 31, 2017. The long-term municipal bond rate of 3.31% was incorporated in the discount rate and was based on the Bond Buyer 20 Index of general obligation bonds as of December 31, 2017 as this is the weekly rate closest to but no 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 rate 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.

TOWN OF ANTHONY, TEXASNOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

10. EMPLOYEES' RETIREMENT PLANS (Continued)

<u>Changes in Net Pension Liability/(Asset)</u>			
	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Pension	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2016	\$ 1,353,468	\$ 1,014,629	\$ 338,839
Changes for the year:			
Service cost	79,100	-	79,100
Interest on total pension liability	91,360	-	91,360
Difference between expected and actual experience	(21,163)	-	(21,163)
Employer contributions	-	38,002	(38,002)
Employee contribution	-	61,034	(61,034)
Benefit payments	(79,085)	(79,085)	-
Administrative expenses	-	(729)	729
Net investment income	-	140,667	(140,667)
Other	-	(37)	37
Balance as of December 31, 2017	\$ 1,423,680	\$ 1,174,481	\$ 249,199

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.75%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Total net pension liability	\$ 460,961	\$ 249,199	\$ 77,377

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained at www.tmrs.com.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

10. EMPLOYEES' RETIREMENT PLANS (Continued)

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

At September 30, 2018, the Town reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,018	\$ 60,351
Changes in assumptions	27,496	-
Net difference between projected and actual earnings	25,565	57,718
Changes in proportionate share	19,280	19,280
Contributions made subsequent to measurement date	26,570	-
	<u>\$ 99,929</u>	<u>\$ 137,349</u>

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

The \$26,570 reported as deferred outflows of resources related to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase in net pension asset for the year ending September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2018	\$ 6,845
2019	8,808
2020	20,724
2021	23,213
2022	4,400
Total	<u>\$ 63,990</u>

For the year ended September 30, 2018, the Town recognized pension expense of \$65,969.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

10. EMPLOYEES' RETIREMENT PLANS (Continued)

Payable to the Pension Plan

As of September 30, 2018, the District did not report a payable for an outstanding amount of contributions to the pension plan required for the year ended.

11. FUND BALANCE

Fund balances in the governmental funds are classified as non-spendable, restricted, committed, assigned, and unassigned in accordance with GASB 54.

Non-spendable fund balance is in a form that is not able to be spent i.e. inventory and prepaid assets. The Town does not have a non-spendable balance as of September 30, 2018.

Restricted fund balance are amounts that are restricted to a specific purpose when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments. The following amounts are classified as restricted as of September 30, 2018:

	<u>2018</u>
Debt Service	\$ 445,815
Hotel/ Motel	<u>79,751</u>
Total	<u>\$ 525,566</u>

Committed funds are amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The Town's highest level of decision-making authority is the Town Council. Debt service fund balance in excess of that required to be held in interest and sinking is considered committed. There were no committed funds as of September 2018.

Assigned funds are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Mayor and the Town Clerk have the authority to assign amounts. Cash received from reimbursement grants are assigned by management to pay additional expenditures related to the grant. The Town had no assigned funds as of September 30, 2018.

Unassigned fund balance is the residual fund balance. Unassigned fund balance for governmental activities are \$1,499,696 as of September 30, 2018.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

12. PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are assessed as of October 1, and may be paid in two installments, due January 31 and June 30. Property tax revenues are recognized when levied to the extent that they result in current receivables. As of September 30, 2018, all taxes received within sixty days of year end were considered by the Town to be collectible within the current period.

Allowances for uncollectible taxes within the General Fund are based upon historical experience in collecting property taxes.

During 2018, the Town is permitted by the Texas Constitution to levy taxes up to \$1.50 per \$100 of assessed property valuation. The tax rate for the year ended September 30, 2018 was \$.663664 per \$100, which means that the Town has a tax margin of approximately \$0.84 per \$100 and could thus theoretically raise up to \$1,045,158 of additional tax revenue annually, based on the year ended September 30, 2018 assessed valuation of \$187,080,793 before this limit is reached.

13. RISK MANAGEMENT

The Town is exposed to various risks and loss related to torts, theft of, damage to, and destruction of assets, errors and omissions' injuries and natural disasters. The Town is a participant in an intergovernmental risk pool for its worker's compensation, liability, and property insurance. Participants in this pool are required to pay "premiums" on the insurance selected. Should a loss occur, the Town is liable only for the deductible. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

14. HEALTH INSURANCE

The Town offers health insurance to its full-time employees with an option to have payroll deductions for additional coverage for family members.

15. RELATED PARTY TRANSACTIONS

From time to time, the Town may enter into transactions with related parties through the normal course of business. If a Council member has a conflict of interest, proper documentation is completed, and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material party transactions that occurred during the 2017-2018 fiscal year.

16. BUDGET OVERAGES

As of September 30, 2018, the comparison between the budget and actual expenditures for the general fund was unfavorable in the amount of \$1,099,558.

TOWN OF ANTHONY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

17. CONTINGENCIES

During the normal course of business, the Town is subject to various legal claims. As of September 30, 2018, management is not aware of any such claims which would have a material adverse effect on the financial statements, and therefore no liability was accrued at September 30, 2018.

The Town participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charges to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 2020, which is the date the financial statement was available to be issued. As a result of the spread of the COVID-19 Coronavirus and the resulting stay at home orders issued, the Town is not experiencing a reduction in services at this time, however, there could be and the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018**

	FINAL BUDGET	ACTUAL (GAAP BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
Sales taxes	\$ 530,500	\$ 662,055	\$ 131,555
Property and occupancy taxes	765,000	849,609	84,609
Fines and forfeits	280,000	369,827	89,827
Street rentals	146,000	159,765	13,765
Licenses and permits	140,462	79,599	(60,863)
Impound Income	35,400	47,599	12,199
Interest income	-	3	3
Contributions	-	8,750	8,750
Grants	151,318	283,340	132,022
Miscellaneous	19,800	47,036	27,236
Total revenues	<u>2,068,480</u>	<u>2,507,583</u>	<u>439,103</u>
EXPENDITURES			
General government	850,396	2,711,255	(1,860,859)
Public safety	1,005,140	465,296	539,844
Streets	74,000	80,484	(6,484)
Culture and recreation	42,000	50,986	(8,986)
Court	164,291	277,522	(113,231)
Interest	2,042	68,683	(66,641)
Total expenditures	<u>2,137,869</u>	<u>3,654,226</u>	<u>(1,516,357)</u>
OTHER FINANCING SOURCES			
Net proceeds from debt	-	47,085	47,085
Total other financing sources	<u>-</u>	<u>47,085</u>	<u>47,085</u>
EXCESS OF REVENUES			
Excess (Deficiency) of revenues over (under) expenditures	<u>\$ (69,389)</u>	<u>\$ (1,099,558)</u>	<u>\$ (1,077,254)</u>
FUND BALANCES, Beginning		<u>2,179,457</u>	
FUND BALANCES, Ending		<u>\$ 1,079,899</u>	

See accompanying notes to financial statements.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND
RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Texas Municipal Retirement System</u>			
	<u>Plan Year Ended 12/31/17</u>	<u>Plan Year Ended 12/31/16</u>	<u>Plan Year Ended 12/31/15</u>	<u>Plan Year Ended 12/31/14</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 79,100	\$ 79,620	\$ 79,549	\$ 79,549
Interest (on the Total Pension Liability)	91,360	89,094	81,884	81,884
Difference between expected and actual experience	(21,163)	(58,122)	(6,534)	(6,534)
Changes in assumptions	-	-	50,032	50,032
Benefit payments, including refunds of employee contributions	<u>(79,085)</u>	<u>(74,454)</u>	<u>(35,199)</u>	<u>(35,199)</u>
Net change in total pension liability	70,212	36,138	169,732	169,732
Total pension liability - beginning	<u>1,353,468</u>	<u>1,317,330</u>	<u>1,147,598</u>	<u>1,147,598</u>
Total pension liability - ending	<u>1,423,680</u>	<u>1,353,468</u>	<u>1,317,330</u>	<u>1,317,330</u>
PLAN FIDUCIARY NET POSITION				
Employer contributions	38,002	34,352	36,511	36,511
Employee contributions	61,034	62,010	64,049	64,049
Net investment income	140,667	62,934	1,276	1,276
Benefit payments, including refunds of employee contributions	(79,085)	(74,454)	(35,199)	(35,199)
Administrative expenses	(729)	(710)	(777)	(777)
Other	<u>(37)</u>	<u>(38)</u>	<u>(39)</u>	<u>(39)</u>
Net change in plan fiduciary net position	159,852	84,094	65,821	65,821
Plan fiduciary net position - beginning	<u>1,014,629</u>	<u>930,535</u>	<u>864,714</u>	<u>864,714</u>
Plan fiduciary net position - ending	<u>1,174,481</u>	<u>1,014,629</u>	<u>930,535</u>	<u>930,535</u>
Net pension liability/(asset), ending	<u>249,199</u>	<u>338,839</u>	<u>386,795</u>	<u>386,795</u>
Plan fiduciary net position as a percentage of the total pension liability	82.50%	74.97%	70.64%	70.64%
Covered - employee payroll	1,220,687	1,240,191	1,280,975	1,280,975
Net pension liability as a percentage of covered employee payroll	20.41%	27.32%	30.20%	30.20%

GASB 68, paragraph 46 requires that the information on this schedule be presented for the Plan's measurement year (January 1 - December 31) as proposed to the Town's fiscal year.

In accordance with GASB 68, paragraph 138 - "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2018**

	Fiscal Year Ending September 30,			
	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 36,914	\$ 36,982	\$ 36,511	\$ 26,980
Contributions in relation to the actuarially determined contribution	<u>36,914</u>	<u>36,982</u>	<u>36,511</u>	<u>26,980</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	1,239,287	1,222,222	1,280,975	1,137,209
Contributions as a percentage of Covered payroll	2.98%	3.03%	2.85%	2.37%

GASB 68, paragraph 46 requires that the information on this schedule be presented for the Plan's measurement year (January 1 - December 31).

In accordance with GASB 68, paragraph 138 - "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TOWN OF ANTHONY, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

1. BUDGETARY INFORMATION

The Town of Anthony, Texas, adopts an annual operating budget that includes a complete financial plan for the fiscal year. A proposed budget is presented to the Town Council on or by September 30. The Town Council adopts the final budget by this date, after a series of public workshops and public hearings have been held. Once adopted, the budget can be amended, only after presented and approved by the Town Council. During the year ended September 30, 2018, a few budget amendments were approved by the Town Council.

Budgetary Basis of Accounting

The Town's budget is prepared on a modified accrual basis of accounting.

Departure from the Prescribed Guidelines

The following material departure from the prescribed guidelines exist for the budgetary comparison information:

The Final Budget includes only the general fund. The Town was unable to produce support documentation for the debt service budget.

Excess Expenditures Over Appropriations

The general fund incurred excess expenditures over appropriations for several functions resulting in a net overall unfavorable variance of \$1,099,558 when comparing expenditures to the final budget.

2. CHANGES OF ASSUMPTIONS

The actuarial assumptions used for the total pension liability calculation as of December 31, 2018 did not change from December 31, 2017 with the exception of the remaining amortization period as noted on footnote number 10 on pages 38 through 44.

SUPPLEMENTARY INFORMATION

RENE D. PEÑA, CPA
CRISTINA A. SALAZAR, CPA
MELISA COTA GUEVARA, CPA

MEMBERS OF AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

4171 N. MESA, SUITE B100
EL PASO, TEXAS 79902-1498
PHONE: 915-542-1733
FAX: 915-544-5440
E-MAIL: cpa@cpaelpaso.com

**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**

To Mayor and Members of the Town Council
Town of Anthony, Texas
Anthony, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund information of Town of Anthony, Texas (the Town) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Anthony, Texas'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 Town of Anthony, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Anthony, Texas's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule

of findings and questioned costs to be material weaknesses. Refer to 2018-001, 2018-002, 2018-003, 2018-004.

A *significant deficiency* is 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as significant deficiencies. Refer to 2018-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of no noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-005, 2018-006 and 2018-007.

Town of Anthony, Texas's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the 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.

Peña Briones H. Daniel & Co

October 7, 2020
El Paso, TX

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS

2018-001 (2017-001, 2016-002, 2015-002 and 2014-002) Internal Control over Financial Reporting – Reconciliations: Lack of accurate information in the Statement of Net Position and Statement of Activities (Material Weakness)

Criteria: The Town of Anthony, Texas, is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that related financial reports are presented properly. Materially accurate internal reports on budgetary, financial position and daily transactions should be prepared monthly and reconciled to the underlying support.

Condition: As noted in prior years, the Town did not reconcile all accounts and funds throughout the year and as such significant adjustments were required.

Cause: There has been turnover in the position of Town Clerk and monthly reconciliation procedures have not been performed for all necessary account in a timely manner. In addition, the Town of Anthony, TX does not utilize a fund accounting software, because of this, different companies were set up in QuickBooks to accommodate different funds. The Town transition from a desktop version to an online version and because of this, the water and sewer fund was not transferred, and transactions were not recorded throughout the fiscal year. Additionally, the water and sewer billing software was not integrated into the accounting system and manual entries are required to record the activity. The support for accounts receivable on water services and grants were not reconciled to the general ledger on a timely basis. No inventory nor list of property, plant and equipment was maintained or updated during the year. Certain liability accounts were not reconciled to the trial balance on a monthly basis.

Effect: The Town operated with inadequate controls over several aspects for the financial operations which resulted in general ledger accounts not being accurately reconciled throughout the year. Numerous adjustments were required at year end. Whenever accurate monthly financial reports are not consistently prepared and presented, poor financial decisions and overspending can occur.

Recommendation: The Town should implement procedures and assign staff to prepare monthly reconciliations of all necessary general ledger accounts to supporting documentation to ensure that the data is correct and properly reported for all funds. Review and oversight of *accounting* matters should be maintained monthly to ensure adequate financial statements are prepared.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS (Continued)

2018-002 (2017-002) Internal Control over Cash Disbursements (Material Weakness)

Criteria: Adequate internal controls of any entity include controls over the purchase of goods and services including authorization, approval, and review. All purchases should be approved before the purchase is incurred and part of the disbursement cycle should include a review by the appropriate personnel for adequate documentation, reasonableness, and evidence the Town received the goods and/or services.

Condition: During the course of our audit, we noted numerous instances where disbursements were processed without proper documentation or approval and/or no supporting documentation.

Cause: The Town does not have written procedures and controls for the procurement and cash disbursement cycle.

Effect: The Town may have paid for services or goods that were not approved, reviewed, received, or authorized.

Recommendation: We recommend the Town document and implement procedures and controls which require appropriate procurement methods, including authorization and review of all supporting documentation (prior authorization, purchase order, proof of receiving goods, invoice, etc.) by the appropriate personnel prior to any payment being processed.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS (Continued)

2018-003 Internal Control over Payroll (Material Weakness)

Criteria: The Town is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that adequate documentation is maintained to support all transactions recorded. All accounts related to payroll should be reconciled monthly to ensure accuracy and support should be maintained for all transactions.

Condition: In performing the current year test work, it was discovered that all payroll related accounts were not being reconciled timely and there was a lack of support for transactions recorded.

Cause: The Town does not have written procedures and controls for recording payroll transactions. In addition, the Town transition from payroll being performed through QuickBooks by an external accountant to a third-party payroll provider. In addition, the Town changed the accounting software from a desktop version to an on-line version. Because of the two changes that occurred during the fiscal year, accounts were not reconciled, and support could not be provided by the personnel.

Effect: The Town operated with inadequate controls over several aspects for the financial operations which resulted in general ledger accounts not being accurately reconciled throughout the year. Numerous adjustments were required at year end. Whenever accurate monthly financial reports are not consistently prepared and presented, poor financial decisions and overspending can occur.

Recommendation: We recommend the Town document and implement procedures and controls that relate to the recording of payroll transactions and designate an individual with adequate knowledge to review and reconcile the accounts timely and accurately to ensure proper amounts are being relied upon and presented to the Council.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS (Continued)

2018-004 (2017-004) Internal Control over Journal Entries (Material Weakness)

Criteria: The Town is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that adequate documentation is maintained to support all transactions recorded.

Condition: During the course of our audit, we noted several instances where large journal entries were processed and recorded in order to adjust the balance at year end to support or to remove old outstanding balances. In addition, journal entries are processed and recorded without proper documentation or approval and/or no supporting documentation at all.

Cause: The Town has not adopted procedures over recording journal entries.

Effect: The Town operated with inadequate controls over journal entries. AS a result, inappropriate entries could have been posted to the general ledger

Recommendation: We recommend the Town implement procedures for the review and approval of journal entries. The procedures should include proper maintaining of all supporting documentation for journal entries and management should ensure monthly reconciliation occur to prevent large adjustments at year end.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS (Continued)

2018-005 (2017-006) Grant Compliance

Criteria: For municipalities receiving funding from the Texas Water Development Board (TWDB), annual audited financial reports are required to be submitted within 180 days after year end.

Condition: The Town did not submit its 2018 annual audit financial report within the allocated time frame.

Cause: Due to turnover in personnel at the Town, the audit was not completed before the deadline.

Effect: The Town is not in compliance with the grant agreement with TWDB.

Recommendation: We recommend the Town hire the necessary personnel to oversee the finances of the Town to ensure compliance with reporting deadlines.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

2018-006 (2017-007, 2016-001, 2015-001, 2014-021) Bond and Certificates of Obligation Compliance: Maintenance of the required minimum sinking fund on the Statement of Net Position, and related funds was not evident

Criteria: As part of the various debt requirements, the Town is required to maintain certain debt covenants that include maintaining separate bank accounts.

Condition: The Town has not yet established the separate bank account as required by the bond documents.

Cause: Due to turnover in finance personnel, the Town has yet to contact the bond counsel to clarify the covenants and take corrective action.

Effect: The Town may not be in full compliance with the debt covenants.

Recommendation: We recommend the Town contact the bond counsel and take corrective action as instructed.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS (Continued)

2018-007 (2017-008) State Compliance: Public Funds Investment Act

Criteria: The Town is required to comply with the Public Funds Investment Act, Government Code 2256.

Condition: The Town has not adopted an investment policy and as such, do not have a list of qualified brokers authorized to engage in investment transactions with the Town. The Town has not reviewed or adopted a list in FY 2018. Required training was not completed and quarterly investment reports were not presented to Council.

Cause: The funds subject to the Public Funds Investment Act relate to the money in escrow that the Town received from the Texas Water Development Board for the wastewater construction project. The Town has experienced turnover and current management was unaware that the Act applied to these funds.

Effect: The Town is not in compliance with the Public Funds Investment Act, Government Code 2256 and; therefore, not fulfilling its fiduciary duty in its entirety.

Recommendation: We recommend the Town adopt a formal Investment policy and renew it annually. The policy should formally appoint the investment officer serving you. The policy should identify who reviews the Public Funds Investment Act in its entirety to ensure future compliance with the Act. The investment policy should list qualified brokers authorized to engage in investment transactions with the Town needs. The investment officer should prepare quarterly investment reports with all the required financial data and verification from authorized brokers that they have received, reviewed, and complied with the Town's investment policy.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2018**

FINANCIAL STATEMENT FINDINGS (Continued)

2018-008 (2017-009) Financial Statement Preparation: Internal Control over financial reporting– Significant Deficiency

Criteria: Government Auditing Standards requires that a significant deficiency in internal controls be reported when an entity does not have the ability to report financial data in accordance with GAAP.

Condition: Like other entities with limited resources in its Finance Department, the Town relies on the external auditor to prepare the annual financial audit report. As a result of this, an internal financial statement was not timely prepared or reviewed by management.

Cause: The Town has had significant difficulties in retaining both a city administrator and chief accountant who have had the capacity to prepare and analyze financial reports. This problem is exacerbated due to the fact that the Town's budget and control of expenditures did not provide for adequate budget in this area.

Effect: The Government Auditing Standards Board believes this situation could result in a stronger possibility that misstatements of the financial statements may not be prevented or detected in a timely manner.

Recommendation: We recommend that the Town put in place the appropriate personnel who are capable of administering a financial budget and reporting the data correctly.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

TOWN OF ANTHONY, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2017-001, 2016-002, 2015-002 and 2014-002: Internal Control over Financial Reporting – Reconciliations: Lack of accurate information in the Statement of Net Position and Statement of Activities (Material Weakness)

Condition: The Town did not reconcile all accounts and funds throughout the year and as such significant adjustments were required.

Status: This has not yet been resolved. See current year finding 2018-001

2017-002: Internal Control over Cash Disbursements (Material Weakness)

Condition: During the course of our audit, we noted numerous instances where disbursements were processed without proper documentation or approval and/or no supporting documentation.

Status: This has not yet been resolved. See current year finding 2018-002

2017-003: Internal Control over Payroll (Material Weakness)

Condition: Personnel files for each employee do not contain the authorized pay rate of each employee. There is not a schedule of pay rates approved by the Council that would support the amount paid to each employee. New hire checklists were not always properly approved and timecards were not always approved. In addition, there was no supporting documentation for the amounts paid to Council members.

Status: This was resolved in fiscal year 2018 and the above issues were not identified during test work.

2017-004: Internal Control over Journal Entries (Material Weakness)

Condition: Several instances where large journal entries were processed and recorded in order to adjust the balance at year end to support or to remove old outstanding balances. In addition, journal entries are processed and recorded without proper documentation or approval and/or no supporting documentation at all.

Status: This has not yet been resolved. See current year finding 2018-003

TOWN OF ANTHONY, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

2017-005: State Compliance – Procurement

Condition: Services for garbage disposal exceeded \$50,000 during the fiscal year 2016-2017; however, there was no evidence that such services were properly procured. In addition, information technology services and engineering services exceeded \$50,000 and there was no evidence that such services were properly procured.

Status: This was resolved in fiscal year 2018 and the above issues were not identified during test work.

2017-006: Grant Compliance

Condition: The Town did not submit its 2017 annual audit financial report within the allocated time frame.

Status: This has not yet been resolved. See current year finding 2018-005.

2017-007, 2016-001, 2015-001, 2014-02: Bond and Certificates of Obligation Compliance: Maintenance of the required minimum sinking fund on the Statement of Net Position, and related funds was not evident

Condition: The Town has not yet established the separate bank account as required by the bond documents.

Status: This has not yet been resolved. See current year finding 2018-006.

2017-008: State Compliance: Public Funds Investment Act

Condition: The Town has not adopted an investment policy and as such, do not have a list of qualified brokers authorized to engage in investment transactions with the Town. The Town has not reviewed or adopted a list in FY 2018. Required training was not completed and quarterly investment reports were not presented to Council.

Status: This has not yet been resolved. See current year finding 2018-007.

TOWN OF ANTHONY, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

2017-009: Financial Statement Preparation: Internal Control over financial reporting– Significant Deficiency

Condition: Like other entities with limited resources in its Finance Department, the Town relies on the external auditor to prepare the annual financial audit report. As a result of this, an internal financial statement was not timely prepared or reviewed by management.

Status: This has not yet been resolved. See current year finding 2018-008.

MAYOR
BENJAMIN ROMERO JR.

TOWN CLERK
NORMA GONZALEZ

DEPUTY TOWN CLERK
VALERIE M. ARMENDARIZ



MAYOR PRO-TEM
SHAWN WEEKS

TOWN COUNCIL
LOUIE ALFARO
JOSE GARCIA
EDUARDO CHAVEZ

TOWN OF ANTHONY, TEXAS

CORRECTIVE ACTION PLAN FOR FINANCIAL STATEMENT FINDINGS FISCAL YEAR 2017-2018

2018-001 (2017-001, 2016-002, 2015-002 and 2014-002) Internal Control over Financial Reporting – Reconciliations: Lack of accurate information in the Statement of Net Position and Statement of Activities (Material Weakness)

Criteria: The Town of Anthony, Texas, is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that related financial reports are presented properly. Materially accurate internal reports on budgetary, financial position and daily transactions should be prepared monthly and reconciled to the underlying support.

Corrective Action Plan: Town has hired an accountant and part of his procedures will be to prepare monthly reconciliations of all necessary general ledger accounts. Town Clerk oversees accountant to ensure adequate financial statements are prepared.

Responsible Party: Town Clerk – Norma Gonzalez and Town Accountant - David Dueñez.

Estimated Date of Completion: Fall 2020

2018-002 (2017-002) Internal Control over Cash Disbursements (Material Weakness)

Criteria: Adequate internal controls of any entity include controls over the purchase of goods and services including authorization, approval, and review. All purchases should be approved before the purchase is incurred and part of the disbursement cycle should include a review by the appropriate personnel for adequate documentation, reasonableness, and evidence the Town received the goods and/or services.

Corrective Action Plan: The Town's Accountant and Town Clerk will verify all purchases have proper documentation such as Invoices, Purchase Orders, Receipts, etc.

Responsible Party: Town Clerk – Norma Gonzalez and Town Accountant – David Dueñez.

Estimated Date of Completion: Fall 2020

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TOWN OF ANTHONY, TEXAS

2018-003 Internal Control over Payroll (Material Weakness)

Criteria: The Town is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that adequate documentation is maintained to support all transactions recorded. All accounts related to payroll should be reconciled monthly to ensure accuracy and support should be maintained for all transactions.

Corrective Action Plan: The Town will separate payroll based on funds, General Fund, and Water and Sewer funds to avoid any reimbursement transfers to be made between funds. The Accountant will reconcile all payroll accounts monthly.

Responsible Party: Town Clerk – Norma Gonzalez and Town Accountant – David Dueñez.

Estimated Date of Completion: Fall 2020

2018-004 (2017-004) Internal Control over Journal Entries (Material Weakness)

Criteria: The Town is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that adequate documentation is maintained to support all transactions recorded.

Corrective Action Plan: The Town clerk will review approve any journal entry by the Town's Accountant and file all supporting documents. Town accountant will reconcile all accounts monthly.

Responsible Party: Town Clerk – Norma Gonzalez and Town Accountant – David Dueñez.

Estimated Date of Completion: Fall 2020

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NORMA GONZALEZ

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TOWN OF ANTHONY, TEXAS

2018-005 (2017-006) Grant Compliance

Criteria: For municipalities receiving funding from the Texas Water Development Board (TWDB), annual audited financial reports are required to be submitted within 180 days after year end.

Corrective Action Plan: Town has hired an Auditing Firm to assure the compliance with all financial reporting deadlines are met.

Responsible Party: Town Clerk – Norma Gonzalez

Estimated Date of Completion: Fall 2020

2018-006 (2017-007, 2016-001, 2015-001, 2014-021) Bond and Certificates of Obligation Compliance: Maintenance of the required minimum sinking fund on the Statement of Net Position, and related funds was not evident

Criteria: As part of the various debt requirements, the Town is required to maintain certain debt covenants that include maintaining separate bank accounts.

Corrective Action Plan: Town has contacted Tijerina Galvan Lawrence LLC Financial Consulting for bind counsel and follow recommendation form the Financial Consulting.

Responsible Party: Town Clerk – Norma Gonzalez

Estimated Date of Completion: Fall 2020

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TOWN CLERK
NORMA GONZALEZ

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TOWN OF ANTHONY, TEXAS

2018-007 (2017-008) State Compliance: Public Funds Investment Act

Criteria: The Town is required to comply with the Public Funds Investment Act, Government Code 2256.

Condition: The Town has not adopted an investment policy and as such, do not have a list of qualified brokers authorized to engage in investment transactions with the Town. The Town has not reviewed or adopted a list in FY 2018. Required training was not completed and quarterly investment reports were not presented to Council.

Corrective Action Plan: The Town will prepare and implement a formal Investment Policy and adhere to the guidelines establish above.

Responsible Party: Town Clerk – Norma Gonzalez and Mayor Benjamin Romero.

Estimated Date of Completion: Fall 2020

2018-008 (2017-009) Financial Statement Preparation: Internal Control over financial reporting– Significant Deficiency

Criteria: Government Auditing Standards requires that a significant deficiency in internal controls be reported when an entity does not have the ability to report financial data in accordance with GAAP.

Corrective Action Plan: Town has a permanent Town Clerk and Accountant in place which are capable to administer a financial budget and reporting the data correctly.

Responsible Party: Town Clerk – Norma Gonzalez and Town Accountant – David Dueñez.

Estimated Date of Completion: Fall 2020