

**CITY OF IOLA, TEXAS**  
*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2021*



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

*Certified Public Accountants*

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City of Iola, Texas  
Annual Financial Report  
For The Year Ended September 30, 2021

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*Financial Section*

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**Independent Auditor's Report**

To the Board of Alderman  
City of lola, Texas  
P.O.Box 84  
lola, Texas 77861

**Report on the Audit of the Financial Statements**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of lola, Texas ("the City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of lola, Texas as of September 30, 2021, 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.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 January 20, 2022 on our consideration of City of lola, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of lola, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Davis, Heinemann & Company, P.C.

Huntsville, Texas  
January 20, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Iola, Texas' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal period ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

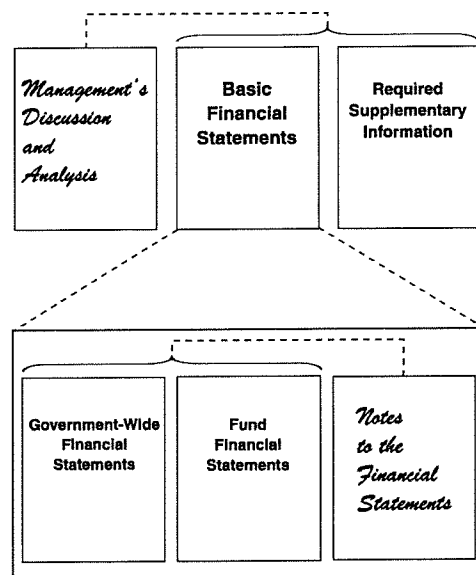
- The City's total combined net position was \$714,242 at September 30, 2021.
- During the year, the City's expenses were \$87,127 and which were \$99,479 less than the \$186,607 generated in taxes, grants and other revenues for governmental and business-type activities.
- The General Fund reported a fund balance this year of \$319,640.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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



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

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

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

### **Fund Financial Statements**

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

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

The City has the following kinds of funds:

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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position.** The City's combined net position was \$714.2 thousand at September 30, 2021. (See Table A-1).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 204.6	\$ 184.6	\$ 41.8	\$ -	\$ 246.4	\$ 184.6
Investments	165.0	185.0	-	-	165.0	185.0
Receivables, Net	17.9	12.7	-	-	17.9	12.7
Internal Balances	5.0	-	(5.0)	-	-	-
<b>Total Current Assets:</b>	<u>392.5</u>	<u>382.3</u>	<u>36.8</u>	<u>-</u>	<u>429.3</u>	<u>382.3</u>
Restricted Cash	-	-	1,783.8	-	1,783.8	-
<b>Capital Assets:</b>						
Land	-	-	92.0	92.0	92.0	92.0
Construction in Progress	5.8	5.8	228.6	135.0	234.4	140.8
<b>Total Non-Current Assets</b>	<u>5.8</u>	<u>5.8</u>	<u>2,104.4</u>	<u>227.0</u>	<u>2,110.2</u>	<u>232.8</u>
<b>Total Assets</b>	<u>398.3</u>	<u>388.1</u>	<u>2,141.2</u>	<u>227.0</u>	<u>2,539.5</u>	<u>615.1</u>
<b>Liabilities:</b>						
<b>Accounts Payable and</b>						
Other Current Liabilities	0.3	0.3	-	-	0.3	0.3
Unearned Revenue	13.6	-	1,243.4	-	1,257.0	0.3
<b>Noncurrent Liabilities</b>						
Due Within One Year	-	-	5.0	-	5.0	-
Due in More than One Year	-	-	563.0	-	563.0	-
<b>Total Liabilities</b>	<u>13.9</u>	<u>0.3</u>	<u>1,811.4</u>	<u>-</u>	<u>1,825.3</u>	<u>0.3</u>
<b>Net Position:</b>						
Invested in Capital Assets	5.8	5.8	273.1	227.0	278.9	232.8
<b>Restricted For:</b>						
Road Maintenance	67.6	59.7	-	-	67.6	59.7
Unrestricted	311.0	322.3	56.7	-	367.7	322.3
<b>Total Net Position</b>	<u>\$ 384.4</u>	<u>\$ 387.8</u>	<u>\$ 329.8</u>	<u>\$ 227.0</u>	<u>\$ 714.2</u>	<u>\$ 614.8</u>

**Changes in net position.** The City's total revenues were \$186.6 thousand and total expenses were \$87.1 thousand, which resulted in an increase of net position of \$99.5 thousand. (See Table A-2.)

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

	Governmental Activities		Business-type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Program Revenues:</b>						
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital & Operating Grants	5.4	10.7	-	-	5.4	10.7
<b>General Revenues:</b>						
Property Taxes	19.1	19.0	-	-	19.1	19.0
Sales Taxes	58.6	47.4	-	-	58.6	47.4
Franchise Taxes	8.8	8.7	-	-	8.8	8.7
Investment Income	1.0	2.2	-	-	1.0	2.3
Grant Revenue	-	-	93.6	-	93.6	-
Miscellaneous Income	-	-	-	-	-	-
Transfers	(61.7)	-	61.7	-	-	-
<b>Total Revenues:</b>	<u>31.2</u>	<u>88.0</u>	<u>155.3</u>	<u>-</u>	<u>186.5</u>	<u>88.1</u>
<b>Program Expenses:</b>						
General Government	25.3	24.6	-	-	25.3	24.6
Highways and Streets	9.2	-	-	-	9.2	-
Sewer	-	-	52.5	-	52.5	-
<b>Total Program Expenses</b>	<u>34.5</u>	<u>24.6</u>	<u>52.5</u>	<u>-</u>	<u>87.0</u>	<u>24.6</u>
<b>Change in Net Position</b>	(3.3)	63.4	102.8	-	99.5	63.5
<b>Net Position, Beginning</b>	<u>387.7</u>	<u>324.3</u>	<u>227.0</u>	<u>-</u>	<u>614.7</u>	<u>324.3</u>
<b>Net Position, Ending</b>	<u>\$ 384.4</u>	<u>\$ 387.7</u>	<u>\$ 329.8</u>	<u>\$ -</u>	<u>\$ 714.2</u>	<u>\$ 387.8</u>

**Capital Assets**

At the end of 2021, the City had invested \$320.6 in the preliminary design and purchase of land for a sewer plant. (See Table A-3.) Funding was finalized in 2021. The construction of the sewer plant is expected to begin in 2022 and be completed in 2024. Also, in 2021, the City received CBDG grant funds to begin a drainage improvement project which is expected to be completed in 2022.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
	Land	\$ -	\$ -	\$ 92.0	\$ 92.0	\$ 92.0
Construction in Progress	5.80	5.80	228.6	135.0	234.4	140.8
Totals at Historical Cost	<u>5.80</u>	<u>5.80</u>	<u>320.6</u>	<u>227.0</u>	<u>326.4</u>	<u>232.8</u>
Total Accumulated Depreciation	-	-	-	-	-	-
Net Capital Assets	<u>\$ 5.80</u>	<u>\$ 5.80</u>	<u>\$ 320.6</u>	<u>\$ 227.0</u>	<u>\$ 326.4</u>	<u>\$ 232.8</u>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**General Fund Budgetary Highlights**

Over the course of the year, the City revised its budget in the General Fund. Actual expenditures were \$1.9 thousand less than final budget amounts, while revenues were \$28.8 thousand more than budgeted. The net increase to fund balance was \$2.0 thousand during the 2021 fiscal year. The largest positive variance \$13.6 thousand was in grant funds which were not budgeted.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Franchise fees, property taxes and sales tax are projected to remain constant during the fiscal year 2021-2022. Budgeted expenditures are projected to increase by \$13.1 thousand, primarily due to the addition of the debt payment of \$5.0 thousand and \$5.0 thousand increase in professional fees. If budgetary projections in the current budget are met, the fund balance in the general fund should increase by about \$20.0 thousand.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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*Basic Financial Statements*

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**CITY OF IOLA, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 204,551	\$ 41,760	\$ 246,311
Investments	165,005	-	165,005
Taxes Receivable			
Property Taxes	4,950	-	4,950
Sales Taxes	12,340	-	12,340
Accounts Receivable	634	-	634
Internal Balances	5,000	(5,000)	-
<b>Noncurrent Assets:</b>			
Restricted Cash			
Interest and Sinking Debt Service	-	20,000	20,000
Project Escrow Accounts	-	1,763,848	1,763,848
Capital Assets (net of accumulated depreciation):			
Land	-	92,026	92,026
Construction in Progress	5,820	228,600	234,420
Total Assets	<u>398,300</u>	<u>2,141,234</u>	<u>2,539,534</u>
<b>LIABILITIES:</b>			
Payroll Tax Liabilities	296	-	296
Unearned Revenue	13,596	1,243,400	1,256,996
Noncurrent Liabilities-			
Due within one year	-	5,000	5,000
Due in more than one year	-	563,000	563,000
Total Liabilities	<u>13,892</u>	<u>1,811,400</u>	<u>1,825,292</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	5,820	273,075	278,895
Restricted For:			
Road Maintenance	67,594	-	67,594
Unrestricted	310,994	56,759	367,753
Total Net Position	<u>\$ 384,408</u>	<u>\$ 329,834</u>	<u>\$ 714,242</u>

The accompanying notes are an integral part of this statement.



**CITY OF IOLA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>		
Governmental Activities:		
General Government	\$ 25,360	\$ -
Highways and Streets	9,216	5,441
Total Governmental Activities	34,576	5,441
Business-type Activities:		
Sewer	52,551	-
Total Business-type Activities	52,551	-
Total Primary Government	\$ 87,127	\$ 5,441

General Revenues:  
Property Taxes  
Sales Taxes  
Franchise Taxes  
Grants and Contributions  
Unrestricted Investment Earnings  
Transfers  
Total General Revenues and Transfers  
Change in Net Position  
Net Position - Beginning  
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (25,360)		\$ (25,360)
(3,775)		(3,775)
<u>(29,135)</u>		<u>(29,135)</u>
-	\$ (52,551)	(52,551)
-	(52,551)	(52,551)
<u>(29,135)</u>	<u>(52,551)</u>	<u>(81,686)</u>
19,085	-	19,085
58,562	-	58,562
8,832	-	8,832
-	93,600	93,600
1,034	53	1,087
<u>(61,707)</u>	<u>61,707</u>	<u>-</u>
<u>25,806</u>	<u>155,360</u>	<u>181,166</u>
(3,329)	102,808	99,479
387,737	227,026	614,763
<u>\$ 384,408</u>	<u>\$ 329,834</u>	<u>\$ 714,242</u>

## CITY OF IOLA, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021

	General Fund	Road Maintenance Fund	CDBG Disaster Relief Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 139,425	\$ 65,126	\$ -	\$ 204,551
Investments	165,005	-	-	165,005
Property Taxes Receivable	4,950	-	-	4,950
Sales Tax Receivable	9,872	2,468	-	12,340
Accounts Receivable	634	-	-	634
Due from Other Funds	5,000	-	-	5,000
Noncurrent Assets:				
Total Assets	<u>\$ 324,886</u>	<u>\$ 67,594</u>	<u>\$ -</u>	<u>\$ 392,480</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Payroll Tax Liabilities	\$ 296	\$ -	\$ -	\$ 296
Unearned Revenue	13,596	-	-	13,596
Total Liabilities	<u>13,892</u>	<u>-</u>	<u>-</u>	<u>13,892</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Inflows	4,950	-	-	4,950
Total Deferred Inflows of Resources	<u>4,950</u>	<u>-</u>	<u>-</u>	<u>4,950</u>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Restricted for Road Maintenance	-	67,594	-	67,594
Unassigned	306,044	-	-	306,044
Total Fund Balances	<u>306,044</u>	<u>67,594</u>	<u>-</u>	<u>373,638</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 324,886</u>	<u>\$ 67,594</u>	<u>\$ -</u>	<u>\$ 392,480</u>

The accompanying notes are an integral part of this statement.

**CITY OF IOLA, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$ 373,638
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,820
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>4,950</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 384,408</u>

The accompanying notes are an integral part of this statement.

**CITY OF IOLA, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Road Maintenance Fund	CDBG Disaster Relief Fund	Total Governmental Funds
Revenue:				
Taxes:				
Property Taxes	\$ 18,729	\$ -	\$ -	\$ 18,729
Sales and Use Taxes	46,850	11,712	-	58,562
Franchise Taxes	8,832	-	-	8,832
Investment Earnings	1,034	-	-	1,034
Grants	-	-	5,441	5,441
Total Revenues	<u>75,445</u>	<u>11,712</u>	<u>5,441</u>	<u>92,598</u>
Expenditures:				
Current:				
General Government	25,360	-	-	25,360
Highways and Streets	-	3,775	5,441	9,216
Total Expenditures	<u>25,360</u>	<u>3,775</u>	<u>5,441</u>	<u>34,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,085</u>	<u>7,937</u>	<u>-</u>	<u>58,022</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(61,707)</u>	<u>-</u>	<u>-</u>	<u>(61,707)</u>
Total Other Financing Sources (Uses)	<u>(61,707)</u>	<u>-</u>	<u>-</u>	<u>(61,707)</u>
Net Change in Fund Balances	(11,622)	7,937	-	(3,685)
Fund Balances - Beginning	317,666	59,657	-	377,323
Fund Balances - Ending	<u>\$ 306,044</u>	<u>\$ 67,594</u>	<u>\$ -</u>	<u>\$ 373,638</u>

The accompanying notes are an integral part of this statement.

**CITY OF IOLA, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	\$ (3,685)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	<u>356</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (3,329)</u>

The accompanying notes are an integral part of this statement.

**CITY OF IOLA, TEXAS**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2021**

	Enterprise Fund
	Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 41,760
Total Current Assets	<u>41,760</u>
Noncurrent Assets:	
Restricted Cash	
Interest and Sinking Debt Service	20,000
Project Escrow Accounts	1,763,848
Capital Assets:	
Land	92,026
Construction in Progress	<u>228,600</u>
Total Noncurrent Assets	<u>2,104,474</u>
Total Assets	<u>\$ 2,146,234</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Due To Other Funds	\$ 5,000
Unearned Revenue	1,243,400
Notes Payable - Current	<u>5,000</u>
Total Current Liabilities	<u>1,253,400</u>
Current Liabilities Payable from Restricted Assets-	
Noncurrent Liabilities:	
Certificates of Obligation Payable	<u>563,000</u>
Total Noncurrent Liabilities	<u>563,000</u>
Total Liabilities	<u>1,816,400</u>
<b>NET POSITION:</b>	
Investment in Capital Assets, Net of Related Debt	273,075
Unrestricted	<u>56,759</u>
Total Net Position	<u>\$ 329,834</u>

The accompanying notes are an integral part of this statement.

**CITY OF IOLA, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Enterprise Fund
	Sewer Fund
OPERATING REVENUES:	
Total Operating Revenues	\$ -
OPERATING EXPENSES:	
Purchased Professional and Technical Services	52,551
Total Operating Expenses	52,551
Operating Income	(52,551)
NON-OPERATING REVENUES (EXPENSES):	
Intergovernmental Revenue	93,600
Interest Revenue	52
Total Non-operating Revenues (Expenses)	93,652
Income before Transfers	41,101
Interfund Transfers In	61,707
Interfund Transfers Out	-
Change in Net Position	102,808
Total Net Position - Beginning	227,026
Total Net Position - Ending	\$ 329,834

The accompanying notes are an integral part of this statement.



**CITY OF IOLA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund Sewer Fund
Cash Flows from Operating Activities:	
Payments for Services	(47,551)
Net Cash Provided (Used) by Operating Activities	<u>(47,551)</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	61,707
Net Cash Provided (Used) by Non-capital Financing Activities	<u>61,707</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	568,000
Proceeds from Issuance of a Principal Forgiveness Loan	1,337,000
Acquisition or Construction of Capital Assets	(93,600)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>1,811,400</u>
Cash Flows from Investing Activities	
Interest and Dividends on Investments	53
Net Cash Provided (Used) for Investing Activities	<u>53</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,825,609
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u>\$ 1,825,609</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (52,551)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Increase (Decrease) in Interfund Payables	5,000
Total Adjustments	5,000
Net Cash Provided (Used) by Operating Activities	<u>\$ (47,551)</u>

The accompanying notes are an integral part of this statement.

**CITY OF IOLA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

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

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

**CITY OF IOLA, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Special Revenue Fund. This is the City's road maintenance fund. It accounts for the portion of sales taxes collected and required to be expended on road maintenance.

Special Revenue Fund. This is the City's CDBG disaster relief fund for Hurricane Harvey. It accounts for the grant revenues from the Community Development Block Grant (CDBG) and the related expenditures for drainage improvements for the City.

The City reports the following major enterprise funds:

Sewer Fund. This fund accounts for the charges for providing residents with sewer service (in construction phase currently).

b. Measurement Focus, Basis of Accounting

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

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

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

**CITY OF IOLA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

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

**CITY OF IOLA, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. Deferred Outflows and Inflows of Resources

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

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

g. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. The City has restricted fund balances for road maintenance tax fund and grant fund balances.

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

**CITY OF IOLA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Aldermen or by an official or body to which the Board of Aldermen delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

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

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

h. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 431,320 and the bank balance was 431,570. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**CITY OF IOLA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The City's restricted escrow cash accounts are in UMB Bank, NA.

**Investments:**

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

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

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

The City's investments at ACTIVE, are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	05/21/2022	\$ 10,541
Certificate of Deposit	03/08/2022	52,064
Certificate of Deposit	09/21/2022	51,972
Certificate of Deposit	03/23/2022	50,428
Total Investments		<u>\$ 165,005</u>

**Analysis of Specific Deposit and Investment Risks:**

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

a. **Credit Risk**

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

b. **Custodial Credit Risk**

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

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

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

**CITY OF IOLA, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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



**CITY OF IOLA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$ 5,820	\$ -	\$ -	\$ 5,820
Governmental Activities Capital Assets, Net	<u>\$ 5,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,820</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Business-Type Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 92,026	\$ -	\$ -	\$ 92,026
Construction In Progress	135,000	93,600	-	228,600
Total Capital Assets Not Being Depreciated	<u>227,026</u>	<u>93,600</u>	<u>-</u>	<u>320,626</u>
Business-Type Activities Capital Assets, Net	<u>\$ 227,026</u>	<u>\$ 93,600</u>	<u>\$ -</u>	<u>\$ 320,626</u>

**E. Interfund Balances and Activity**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Enterprise Fund	\$ 5,000	Short term loan for debt payment
	Total	<u>\$ 5,000</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2021, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Enterprise Fund	\$ 61,707	Supplement other funds sources
	Total	<u>\$ 61,707</u>	

**CITY OF IOLA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
Certificates of Obligation	\$ -	\$ 573,000	\$ 5,000	\$ 568,000	\$ 5,000
Total business-type activities	<u>\$ -</u>	<u>\$ 573,000</u>	<u>\$ 5,000</u>	<u>\$ 568,000</u>	<u>\$ 5,000</u>

2. Debt Service Requirements

<u>Year Ending ACTIVE.</u>	Business-type Activities		
	Principal	Interest	Total
22	\$ 5,000	\$ -	\$ 5,000
23	5,000	-	5,000
24	5,000	-	5,000
25	5,000	-	5,000
26	10,000	-	10,000
27-31	70,000	-	70,000
32-36	95,000	-	95,000
37-41	100,000	-	100,000
42-46	141,000	-	141,000
47-51	132,000	-	132,000
Totals	<u>\$ 568,000</u>	<u>\$ -</u>	<u>\$ 568,000</u>

The City of Iola, Texas issued Combination Tax and Revenue Certificate of Obligation, Series 2020, in the amount of \$573,000. The Certificates are payable to the Texas Water Development Board starting August 15, 2021 through the year 2050. The Certificates will be used to construct a sewer system for the city. The Certificates carry a zero interest rate.

Balance at September 30, 2021 \$ 568,000

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**CITY OF IOLA, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

H. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2021.

I. Deferred Resources

The City received financial assistance in the amount of \$1,337,000 by participating in a Principal Forgiveness Agreement. The City is in the process of constructing a waste water treatment plant. The City spent \$93,600 of the financial assistance during fiscal year 2021, leaving a balance of \$1,243,400. The remaining balance of the Principal Forgiveness Assistance was recorded as deferred revenue.

J. Subsequent Events

Subsequent events were evaluated through January 20, 2022, which is the date the financial statements were available to be issued. There were no subsequent events for the year ended September 30, 2021.

## *Required Supplementary Information*

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

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**CITY OF IOLA, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 17,000	\$ 17,000	\$ 18,729	\$ 1,729
Sales and Use Taxes	35,000	35,000	46,850	11,850
Franchise Taxes	8,206	8,206	8,832	626
Investment Earnings	-	-	1,034	1,034
Total Revenues	<u>60,206</u>	<u>60,206</u>	<u>75,445</u>	<u>15,239</u>
Expenditures:				
Current:				
General Government	<u>27,456</u>	<u>27,265</u>	<u>25,360</u>	<u>1,905</u>
Total Expenditures	<u>27,456</u>	<u>27,265</u>	<u>25,360</u>	<u>1,905</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,750</u>	<u>32,941</u>	<u>50,085</u>	<u>17,144</u>
Other Financing Sources (Uses):				
Transfers Out	<u>-</u>	<u>-</u>	<u>(61,707)</u>	<u>(61,707)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(61,707)</u>	<u>(61,707)</u>
Net Change in Fund Balances	32,750	32,941	(11,622)	(44,563)
Fund Balances - Beginning	317,666	317,666	317,666	-
Fund Balances - Ending	<u>\$ 350,416</u>	<u>\$ 350,607</u>	<u>\$ 306,044</u>	<u>\$ (44,563)</u>

**CITY OF IOLA, TEXAS**  
ROAD MAINTENANCE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Sales and Use Taxes	\$ 8,800	\$ 8,800	\$ 11,712	\$ 2,912
Total Revenues	<u>8,800</u>	<u>8,800</u>	<u>11,712</u>	<u>2,912</u>
Expenditures:				
Current:				
Highways and Streets	8,800	8,800	3,775	5,025
Total Expenditures	<u>8,800</u>	<u>8,800</u>	<u>3,775</u>	<u>5,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>7,937</u>	<u>7,937</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	7,937	7,937
Fund Balances - Beginning	59,657	59,657	59,657	-
Fund Balances - Ending	<u>\$ 59,657</u>	<u>\$ 59,657</u>	<u>\$ 67,594</u>	<u>\$ 7,937</u>

**CITY OF IOLA, TEXAS**  
 CDBG GRANT PROJECT  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Grants	\$ 5,441	\$ 5,441	\$ 5,441	\$ -
Total Revenues	<u>5,441</u>	<u>5,441</u>	<u>5,441</u>	<u>-</u>
Expenditures:				
Current:				
Highways and Streets	5,441	5,441	5,441	-
Total Expenditures	<u>5,441</u>	<u>5,441</u>	<u>5,441</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



## **CITY OF IOLA, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **Budgetary Data**

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

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

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

## *Other Supplementary Information*

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

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

*CERTIFIED PUBLIC ACCOUNTANTS*

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FAX (936) 291-9607

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

Board of Alderman  
City of lola, Texas  
P.O.Box 84  
lola, Texas 77861

Members of the Board of Alderman:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of lola, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of lola, Texas' basic financial statements, and have issued our report thereon dated January 20, 2022.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Respectfully submitted,

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

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
January 20, 2022

**CITY OF IOLA, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

B. Financial Statement Findings

None reported.

**CITY OF IOLA, TEXAS**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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