

CITY OF POTH, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2021

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

Financial Section

1. Independent Auditor's Report
3. Management's Discussion and Analysis

Basic Financial Statements:

Government-wide Financial Statements:

14. Statement of Net Position
15. Statement of Activities

Fund Financial Statements:

16. Balance Sheet - Governmental Funds
17. Reconciliation of the Government Funds
18. Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
19. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
20. Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- General Fund
21. Statement of Net Position - Proprietary Funds
23. Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
24. Statement of Cash Flows - Proprietary Funds
26. Notes to the Financial Statements

Required Supplementary Information:

71. Employees Retirement System Information
73. OPEB Retirement Information

Combining and Individual Fund Statements and Schedules:

74. Combining Balance Sheet - Non-major Governmental Funds
75. Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Poth, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poth, Texas 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poth, Texas, as of September 30, 2021, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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, Employee Retirement System Information, and the OPEB system information on pages 3–13, 71-72, and 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



BEYER & COMPANY
Certified Public Accountants
August 12, 2022

Management's Discussion and Analysis

As management of the City of Poth, Texas, we offer readers of the City of Poth, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Poth, Texas for the fiscal year ended September 30, 2021.

Financial Highlights:

- . The assets of the City of Poth, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$7,440,282 (net position). Of this amount, 1,020,274 or 14% is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$722,337. The reason for the increase was careful budget management.

As of the close of the current fiscal year, the City of Poth, Texas' governmental funds reported combined ending fund balances of \$1,507,639. Approximately 15% of this total amount, \$233,160, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$233,160, or 40 percent of total general fund expenditures.
- . The City of Poth, Texas' total restricted net position at September 30, 2021, is \$1,153,823 at September 30, 2021, or 16%. The increase for the year was \$529,849. The reason for the increase was careful budget management. The City of Poth, Texas' total debt decreased by \$165,669 (14 percent) during the current fiscal year. The key factor is principal payment on bonds and capital leases.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Poth, Texas' basic financial statements. The City of Poth, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Poth, Texas' finances, in a manner like a private-sector business.

The statement of net position presents information on all the City of Poth, Texas' assets, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Poth, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City of Poth, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Poth, Texas include general administration, public safety, public transportation, and culture and recreation. The business-type activities of the City of Poth, Texas include the Utility fund.

The government-wide financial statements include only the City of Poth, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 14-15 of this report.

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 City of Poth, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Poth, Texas can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Poth, Texas maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the CLFRF fund, the economic development EDC fund, and the economic development MMF fund which are major funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Poth, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds: The City of Poth, Texas maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Poth, Texas uses enterprise funds to account for its Utility activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund which is a major fund of the City of Poth, Texas.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-70 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Poth, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 71-73 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 74-75 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Poth, Texas, assets exceeded liabilities by \$7,440,282 at the close of the most recent fiscal year.

By far the largest portion of the City of Poth, Texas' net position (71 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Poth, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Poth, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF POTH, TEXAS NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$752,419	\$416,424	\$378,907	\$360,336	\$1,131,326	\$776,760
Restricted Assets	927,804	604,885	361,738	242,136	1,289,542	847,021
Capital Assets:	2,413,578	2,479,511	3,699,872	3,840,034	6,113,450	6,319,545
Total Assets	4,093,801	3,500,820	4,440,517	4,442,506	8,534,318	7,943,326
Total Deferred Outflows of Resources	28,972	29,830	49,992	50,579	78,964	80,409
Long-Term Liabilities	255,702	300,462	749,348	870,257	1,005,050	1,170,719
Other Liabilities	110,718	45,196	49,146	46,676	159,864	91,872
Total Liabilities	366,420	345,658	798,494	916,933	1,164,914	1,262,591
Total Deferred Outflows of Resources	3,300	18,057	4,786	25,142	8,086	43,199
Invested in Capital Assets, Net of Related Debt	2,222,263	2,243,201	3,043,922	3,013,275	5,266,185	5,256,476
Restricted	792,085	381,838	361,738	242,136	1,153,823	623,974
Unrestricted	738,705	541,896	281,569	295,599	1,020,274	837,495
Total Net Position	\$3,753,053	\$3,166,935	\$3,687,229	\$3,551,010	\$7,440,282	\$6,717,945

An additional portion of the City of Poth, Texas' net position (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 1,020,274 may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Poth, Texas reported positive balances in all three categories of net position, both for the government, as well as for its separate governmental and business-type activities. For the prior fiscal year, the City of Poth, Texas reported positive balances in all three categories of net position, both for the government, as well as for its separate governmental and business-type activities.

The government's total net position increased by \$722,337. The reason for the increase was careful budget management.

Governmental Activities:

Governmental activities increased the City of Poth, Texas' net position by \$586,118, thereby accounting for 81 percent of the total growth in the net position of the City of Poth, Texas. The reason for this increase is careful budget management.

**CITY OF POTH, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$138,950	\$111,438	\$1,111,070	\$1,088,334	\$1,250,020	\$1,199,772
Capital Grants and Contributions				260,600	0	260,600
General Revenues:						
Maintenance and Operations Taxes	257,148	254,423			257,148	254,423
Sales Taxes	241,143	212,174			241,143	212,174
Franchise Taxes	254,526	242,672			254,526	242,672
Licenses and Permits	8,375	7,888			8,375	7,888
Unrestricted Investment Earnings	1,197	1,654	572	1,340	1,769	2,994
Miscellaneous	21,349	61,930			21,349	61,930
Grants and Contributions Not Restricted to Specific Programs	495,009					
Total Revenue	<u>1,417,697</u>	<u>892,179</u>	<u>1,111,642</u>	<u>1,350,274</u>	<u>2,034,330</u>	<u>2,242,453</u>
Expenses:						
General Administration	336,127	252,657			336,127	252,657
Public Safety	209,069	220,457			209,069	220,457
Public Transportation	230,269	295,409			230,269	295,409
Culture and Recreation	48,712	36,107			48,712	36,107
Interest and Fiscal Charges	7,402	8,037			7,402	8,037
Utility			975,423	1,049,377	975,423	1,049,377
Total Expenses	<u>831,579</u>	<u>812,667</u>	<u>975,423</u>	<u>1,049,377</u>	<u>1,807,002</u>	<u>1,862,044</u>
Increase in Net Position Before Transfers and Special Items	<u>586,118</u>	<u>79,512</u>	<u>136,219</u>	<u>300,897</u>	<u>722,337</u>	<u>380,409</u>
Transfers		(12,500)		12,500	0	0
Increase in Net Position	586,118	67,012	136,219	313,397	722,337	380,409
Net Position at 09/30/2020	<u>3,166,935</u>	<u>3,099,923</u>	<u>3,551,010</u>	<u>3,237,613</u>	<u>6,717,945</u>	<u>6,337,536</u>
Net Position at 09/30/2021	<u>\$3,753,053</u>	<u>\$3,166,935</u>	<u>\$3,687,229</u>	<u>\$3,551,010</u>	<u>\$7,440,282</u>	<u>\$6,717,945</u>

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$336,127		
Public Safety	209,069	126,641	
Public Transportation	230,269		
Culture and Recreation	48,712	12,309	
Interest and Fiscal Charges	7,402		
Total Government Activities	<u>\$831,579</u>	<u>\$138,950</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$138,950	10%
Maintenance and Operations Taxes	257,148	18%
Sales Taxes	241,143	17%
Franchise Taxes	254,526	18%
Licenses and Permits	8,375	1%
Unrestricted Investment Earnings	1,197	0%
Miscellaneous	21,349	2%
Grants and Contributions Not Restricted to Specific Programs	495,009	35%
	<u>\$1,417,697</u>	<u>100%</u>

For the most part, increases in expenses closely paralleled inflation and growth and/or decline in the demand for services.

Business-Type Activities:

Business-type activities increased the City of Poth, Texas' net position by \$136,219, thereby accounting for 19 percent of the total growth in the net position of the City of Poth, Texas. The reason for the increase was careful budget management.

- . Charges for services for business-type activities increased by \$22,736 or 2%.
- . Total expenses decreased by \$73,954 or 7%.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Utility	\$975,423	\$1,111,070	\$0
Total Business-Type Activities	\$975,423	\$1,111,070	\$0

Revenues by Source - Business-Type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$1,111,070	100%
Capital Grants and Contributions	0	0%
Unrestricted Investment Earnings	572	0%
	<u>\$1,111,642</u>	<u>100%</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Poth, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

The focus of the City of Poth, Texas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Poth, Texas' financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Poth, Texas' governmental funds reported combined ending fund balances of \$1,507,639, an increase of \$589,984 in comparison with the prior year. Approximately 15 percent of this total amount \$233,160 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed and restricted.

The general fund is the chief operating fund of the City of Poth, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$233,160, while total fund balance reached \$601,808. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 104 percent of that same amount.

The fund balance of the City of Poth, Texas' general fund increased by \$83,015 during the current fiscal year. This increase is primarily a result of good budget management.

There is no analysis of the CLFRF fund because it is a grant fund, and the budget is dictated by outside forces and will change from year to year. Therefore, any such analysis would be illusory.

There is no analysis of the economic development MMF fund and the economic development EDC fund because these budgets are dictated by the needs of the community which change from year to year. Therefore, any such analysis would be illusory.

Proprietary funds:

The City of Poth, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year amounted to \$281,569. The increase in net position was \$136,219. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Poth, Texas' business-type activities.

General Fund Budgetary Highlights

There was an increase of \$55,185 between the original budget and the final amended budget. The major increase was in streets which increased by \$38,700. The major reason for this increase was in seal coating.

Capital Asset and Debt Administration

Capital assets:

The City of Poth, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$6,113,450 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Poth, Texas' investment in capital assets for the current fiscal year was 3 percent (a 3 percent decrease for governmental activities and a 4 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

. None

**CITY OF POTH, TEXAS
CAPITAL ASSETS (Net of
Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$181,433	\$181,433	\$82,134	\$82,134	\$263,567	\$263,567
Construction in Progress	5,000	5,000	0	548,531	5,000	553,531
Building and Improvements	198,440	198,084	0	0	198,440	198,084
Machinery and Equipment	24,051	40,061	66,308	95,264	90,359	135,325
Infrastructure	2,004,654	2,054,933	3,551,430	3,114,105	5,556,084	5,169,038
Total	<u>\$2,413,578</u>	<u>\$2,479,511</u>	<u>\$3,699,872</u>	<u>\$3,840,034</u>	<u>\$6,113,450</u>	<u>\$6,319,545</u>

Additional information on the City of Poth, Texas' capital assets can be found in Note IV C on page 36 - 37 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Poth, Texas had total bonded debt outstanding of \$709,000 in bonds for street and drainage and water facility improvements. Of this amount, \$574,000 comprises debt backed by the full faith and credit of the City of Poth, Texas.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$236,310		\$44,995	\$191,315	\$45,995	\$145,320
	236,310	0	44,995	191,315	45,995	145,320
<u>Business-Type Activities:</u>						
Bonds Payable	472,690		90,005	382,685	92,005	290,680
	472,690	0	90,005	382,685	92,005	290,680
 Grand Total	 \$709,000	 \$0	 \$135,000	 \$574,000	 \$138,000	 \$436,000

The bonded debt of the City of Poth decreased by \$135,000 or (19%). This is a result of the payment of bond principal of \$135,000.

Additional information on the City of Poth, Texas' long - term debt can be found in Note IV F on pages 38 - 39 of this report.

Economic Factors:

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Requests for Information

This financial report is designed to provide a general overview of the City of Poth, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Department, P.O. Box 579, Poth, Texas 78147.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF POTH, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<i>ASSETS</i>			
Cash and Cash Equivalents	\$686,292	\$279,336	\$965,628
Receivables (Net of Allowance for Uncollectibles)	66,127	99,571	165,698
Restricted Assets:			
Cash and Cash Equivalents	927,804	361,738	1,289,542
Capital Assets Not Being Depreciated:			
Land	181,433	82,134	263,567
Construction in Progress	5,000		5,000
Total Capital Assets Being Depreciated, Net			
Building and Improvements	198,440		198,440
Machinery and Equipment	24,051	66,308	90,359
Infrastructure	2,004,654	3,551,430	5,556,084
Total Assets	<u>\$4,093,801</u>	<u>\$4,440,517</u>	<u>\$8,534,318</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	7,872	19,397	27,269
GASB 68			
Contributions (after 12/31/20)	17,194	24,930	42,124
Difference in expected and actual experience	1,189	1,725	2,914
GASB 75			
Difference in assumption changes	2,717	3,940	6,657
Total Deferred Outflows of Resources	<u>28,972</u>	<u>49,992</u>	<u>78,964</u>
LIABILITIES:			
Accounts Payable	\$99,439	\$33,625	\$133,064
Accrued Interest Payable	1,010	2,020	3,030
Accrued Wages	10,269	13,501	23,770
Noncurrent Liabilities:			
Due Within One Year	51,903	134,830	186,733
Due in More Than One Year	203,799	614,518	818,317
Total Liabilities	<u>366,420</u>	<u>798,494</u>	<u>1,164,914</u>
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	1,844	2,674	4,518
GASB 75			
Difference in expected and actual experience	1,456	2,112	3,568
Total Deferred Inflows of Resources	<u>3,300</u>	<u>4,786</u>	<u>8,086</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,222,263	3,043,922	5,266,185
Restricted			
General Administration	282,972	0	282,972
Special Projects	115	361,738	361,853
Economic Development	324,776		324,776
Public Safety	184,222		184,222
Unrestricted	738,705	281,569	1,020,274
Total Net Position	<u>\$3,753,053</u>	<u>\$3,687,229</u>	<u>\$7,440,282</u>

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital		Business-Type Activities	Total
			Grants and Contributions	Governmental Activities		
Primary Government						
Government Activities:						
General Administration	\$336,127	\$0		(\$336,127)		(\$336,127)
Public Safety	209,069	126,641		(82,428)		(82,428)
Public Transportation	230,269			(230,269)		(230,269)
Culture and Recreation	48,712	12,309		(36,403)		(36,403)
Interest and Fiscal Charges	7,402			(7,402)		(7,402)
Total Government Activities	<u>831,579</u>	<u>138,950</u>	<u>0</u>	<u>(692,629)</u>	<u>0</u>	<u>(692,629)</u>
Business-Type Activities:						
Utility	975,423	1,111,070	0		135,647	135,647
Total Business-Type Activities	<u>975,423</u>	<u>1,111,070</u>	<u>0</u>	<u>0</u>	<u>135,647</u>	<u>135,647</u>
Total Primary Government	<u>\$1,807,002</u>	<u>\$1,250,020</u>	<u>\$0</u>	<u>(\$692,629)</u>	<u>\$135,647</u>	<u>(\$556,982)</u>
General Revenues						
Property Taxes, Levies for General Purposes				257,148		257,148
Sales Taxes				241,143		241,143
Franchise Taxes				254,526		254,526
Licenses and Permits				8,375		8,375
Unrestricted Investment Earnings				1,197	572	1,769
Miscellaneous				21,349		21,349
Grants and Contributions Not Restricted to Specific Programs				495,009		495,009
Transfers				0	0	0
Total General Revenues and Transfers				<u>1,278,747</u>	<u>572</u>	<u>784,310</u>
Change in Net Position				586,118	136,219	722,337
Net Position - Beginning				3,166,935	3,551,010	6,717,945
Net Position - Ending				<u>\$3,753,053</u>	<u>\$3,687,229</u>	<u>\$7,440,282</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF POTH, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	CLFRF Fund	Economic Development EDC Fund	Economic Development MMF Fund	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>						
Cash and Cash Equivalents	\$339,617	\$282,972			\$63,703	\$686,292
Receivables (Net of Allowance for Uncollectibles)	30,372					30,372
Restricted Assets:						
Cash and Cash Equivalents	368,648		169,694	96,605	292,857	927,804
Total Assets	<u>\$738,637</u>	<u>\$282,972</u>	<u>\$169,694</u>	<u>\$96,605</u>	<u>\$356,560</u>	<u>\$1,644,468</u>
<i>LIABILITIES AND FUND BALANCES:</i>						
<i>Liabilities</i>						
Accounts Payable	\$99,439				\$0	\$99,439
Accrued Wages	10,269					10,269
Total Liabilities	<u>109,708</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>109,708</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>						
Deferred Property Taxes	<u>27,121</u>					<u>27,121</u>
<i>Fund Balances:</i>						
<i>Restricted</i>						
Administration		282,972			0	282,972
Special Projects					115	115
Economic Development			169,694	96,605	58,477	324,776
Public Safety					184,222	184,222
<i>Committed</i>						
Administration					113,746	113,746
Street Maintenance	368,648					368,648
Unassigned	233,160					233,160
Total Fund Balance	<u>601,808</u>	<u>282,972</u>	<u>169,694</u>	<u>96,605</u>	<u>356,560</u>	<u>1,507,639</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$738,637</u>	<u>\$282,972</u>	<u>\$169,694</u>	<u>\$96,605</u>	<u>\$356,560</u>	<u>\$1,644,468</u>

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	\$1,507,639
Capital assets used in governmental activities are not reported in the funds.	2,413,578
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	27,121
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	35,755
Loss on Bond Refunding	7,872
 GASB 68	
Contributions (after 12/31/20)	17,194
Difference in expected and actual experience	1,189
Difference in projected and actual earnings	(1,844)
 GASB 75	
Difference in assumption changes	2,717
Difference in expected and actual experience	(1,456)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	 (256,712)
 Net Position of Governmental Activities - Statement of Net Position	 <u>\$3,753,053</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	CLFRF Fund	Economic Development EDC Fund	Economic Development MMF Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>						
Taxes						
Property	\$257,311					\$257,311
Sales	172,245		68,898		0	241,143
Franchise	254,526					254,526
Intergovernmental	102,608	282,972			109,429	495,009
Licenses and Permits	8,375					8,375
Charges for Services					19,301	19,301
Fines and Forfeitures	115,777					115,777
Interest	610		282	143	162	1,197
Miscellaneous	20,038				1,311	21,349
Total Revenues	931,490	282,972	69,180	143	130,203	1,413,988
<i>EXPENDITURES</i>						
Current:						
General Administration	168,491		61,809	32,877	20,400	283,577
Public Safety	200,757			1,609	6,105	208,471
Public Transportation	180,089					180,089
Culture and Recreation	27,692					27,692
Capital Projects				16,121	57,927	74,048
Debt Service						
Principal Retirement				44,996		44,996
Interest and Fiscal Charges				5,131		5,131
Total Expenditures	577,029	0	61,809	100,734	84,432	824,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	354,461	282,972	7,371	(100,591)	45,771	589,984
<i>OTHER FINANCING SOURCES (USES):</i>						
Operating Transfers In				124,393	203,693	328,086
Operating Transfers Out	(271,446)		(56,500)		(140)	(328,086)
Total Other Financing Sources (Uses)	(271,446)	0	(56,500)	124,393	203,553	0
Net Changes in Fund Balances	83,015	282,972	(49,129)	23,802	249,324	589,984
Fund Balances - Beginning	518,793	0	218,823	72,803	107,236	917,655
Fund Balances - Ending	\$601,808	\$282,972	\$169,694	\$96,605	\$356,560	\$1,507,639

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021

Net Changes in Fund Balances - Total Governmental Funds	\$589,984
Amounts reported for governmental activities in the statement of net position ("SNP") 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 capital outlays exceeded depreciation in the current period.	(65,933)
Amortization of Bond Refunding Loss.	(1,969)
GASB 68	
Contributions. This is the change in these amounts this year.	1,506
Difference in expected and actual experience. This is the change in these amounts this year.	(78)
Difference in projected and actual earnings. This is the change in these amounts this year.	14,567
Difference in assumption changes. This is the change in these amounts this year.	(1,252)
GASB 75	
Difference in assumption changes. This is the change in these amounts this year.	935
Difference in projected and actual earnings.	190
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(163)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	0
(Increase) decrease in accrued interest from beginning of period to end of period.	(301)
(Increase) decrease in compensated absences from beginning of period to end of period.	212
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	3,872
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	1,665
(Increase) decrease in OPEB Liability from beginning of period to end of period.	(2,112)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	44,995
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$586,118</u>

The accompanying notes are an integral part of this statement.

CITY OF POTH, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$257,000	\$256,500	\$257,311	\$811
Sales	110,000	140,000	172,245	32,245
Franchise	239,000	251,035	254,526	3,491
Intergovernmental			102,608	102,608
Licenses and Permits	4,000	8,400	8,375	(25)
Fines and Forfeitures	97,000	105,500	115,777	10,277
Interest	50	50	610	560
Miscellaneous	17,540	18,290	20,038	1,748
Total Revenues	<u>724,590</u>	<u>779,775</u>	<u>931,490</u>	<u>151,715</u>
<i>EXPENDITURES</i>				
Current:				
General Administration				
General Administration	192,926	201,156	168,491	32,665
Public Safety				
Municipal Court	26,714	29,714	27,910	1,804
Fire	10,400	10,400	10,428	(28)
Police Department	221,005	220,860	162,419	58,441
Public Transportation				
Streets	177,745	216,445	180,089	36,356
Culture and Recreation				
Parks	33,000	38,400	27,692	10,708
Total Expenditures	<u>661,790</u>	<u>716,975</u>	<u>577,029</u>	<u>139,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,800	62,800	354,461	291,661
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(62,800)	(62,800)	(271,446)	(208,646)
Total Other Financing Sources (Uses)	<u>(62,800)</u>	<u>(62,800)</u>	<u>(271,446)</u>	<u>(208,646)</u>
Net Changes in Fund Balances	0	0	83,015	83,015
Fund Balances - Beginning	518,793	518,793	518,793	
Fund Balances - Ending	<u>\$518,793</u>	<u>\$518,793</u>	<u>\$601,808</u>	<u>\$83,015</u>

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

CITY OF POTH, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$279,336	\$277,755	\$279,336
Accounts Receivables (Net of Allowance for Uncollectibles)	99,571	82,581	99,571
Total Current Assets	378,907	360,336	378,907
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	361,738	242,136	361,738
Total Restricted Assets	361,738	242,136	361,738
Capital Assets			
Land	82,134	82,134	82,134
Construction in Progress	0	548,531	0
Infrastructure	7,347,241	6,785,970	7,347,241
Machinery and Equipment	506,671	506,672	506,671
Total Capital Assets	7,936,046	7,923,307	7,936,046
Less Accumulated Depreciation	(4,236,174)	(4,083,273)	(4,236,174)
Total Capital Assets (Net of Accumulated Depreciation)	3,699,872	3,840,034	3,699,872
Total Noncurrent Assets	4,061,610	4,082,170	4,061,610
TOTAL ASSETS	\$4,440,517	\$4,442,506	\$4,440,517
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	19,397	22,746	19,397
GASB 68			
Contributions (after 12/31/19)		21,844	0
Contributions (after 12/31/20)	24,930		24,930
Difference in expected and actual experience	1,725	1,765	1,725
Difference in assumption changes	0	1,743	0
GASB 75			
Difference in assumption changes	3,940	2,481	3,940
Total Deferred Outflow of Resources	49,992	50,579	49,992

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$33,625	\$33,389	\$33,625
Accrued Wages	13,501	11,869	13,501
Accrued Interest Payable	2,020	1,418	2,020
Compensated Absences	8,610	9,283	8,610
Capital Lease Payable - Current	34,215	34,215	34,215
Revenue Bonds - Current	92,005	90,005	92,005
Total Current Liabilities	183,976	180,179	183,976
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits		0	0
Total Current Liabilities Payable from Restricted Assets	0	0	0
Noncurrent Liabilities			
Net Pension Liability	57,353	57,397	57,353
Net OPEB Liability	27,435	23,407	27,435
Capital Lease Payable	239,049	273,265	239,049
Revenue Bonds Payable	290,681	382,685	290,681
Total Noncurrent Liabilities	614,518	736,754	614,518
Total Liabilities	798,494	916,933	798,494
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	2,674	22,851	2,674
GASB 75			
Difference in projected and actual earnings	2,112	2,291	2,112
Total Deferred Inflows of Resources	4,786	25,142	4,786
Net Position			
Invested in Capital Assets, Net of Related Debt	3,043,922	3,059,864	3,043,922
Restricted for:			
Special Projects - Expendable	361,738	242,136	361,738
Unrestricted	281,569	249,010	281,569
Total Net Position	\$3,687,229	\$3,551,010	\$3,687,229

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

CITY OF POTH, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services -Water	\$501,254	\$496,445	\$501,254
Charges for Services -Sewer	305,528	306,595	305,528
Charges for Services - Garbage	267,844	259,944	267,844
Charges for Services - Miscellaneous	36,444	25,350	36,444
Total Operating Revenues	1,111,070	1,088,334	1,111,070
OPERATING EXPENSES:			
Personal Services	359,819	365,869	359,819
Supplies	1,912	2,338	1,912
Other Services and Charges	436,437	514,423	436,437
Depreciation	152,901	151,261	152,901
Total Operating Expenses	951,069	1,033,891	951,069
Operating Income (Loss)	160,001	54,443	160,001
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	572	1,340	572
Contributions		260,600	0
Interest and Fiscal Charges	(24,354)	(15,486)	(24,354)
Total Non-Operating Revenues (Expenses)	(23,782)	246,454	(23,782)
Income Before Transfers	136,219	300,897	136,219
Transfers Out (Net)	0	12,500	0
Change in Net Position	136,219	313,397	136,219
Total Net Position - Beginning	3,551,010	3,237,613	3,551,010
Total Net Position - Ending	\$3,687,229	\$3,551,010	\$3,687,229

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

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

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$1,094,080	\$1,103,119	\$1,094,080
Payments to Suppliers	(434,162)	(535,849)	(434,162)
Payments to Employees	(377,994)	(329,070)	(377,994)
Net Cash Provided (Used) By Operating Activities	281,924	238,200	281,924
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In (Out)-Net	0	12,500	0
Contributions	0	260,600	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	0	273,100	0
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Notes and Capital Leases	(124,220)	(88,005)	(124,220)
Note Payable Proceeds		307,480	0
Interest and Fiscal Charges	(24,354)	(15,486)	(24,354)
Purchases of Capital Assets (Net)	(12,739)	(1,115,263)	(12,739)
Net Cash Provided (Used) by Capital and Related Financing Activities	(161,313)	(911,274)	(161,313)
Cash Flows from Investing Activities			
Interest Received	572	1,340	572
Net Cash Provided (Used) by Investment Activities	572	1,340	572
Net Increase (Decrease) in Cash Equivalents	121,183	(398,634)	121,183
Cash and Cash Equivalents at Beginning of Year	519,891	918,525	519,891
Cash and Cash Equivalents at End of Year	\$641,074	\$519,891	\$641,074
Unrestricted Assets:			
Cash and Cash Equivalents	\$279,336	\$277,755	\$279,336
Restricted Assets:			
Cash and Cash Equivalents	361,738	242,136	361,738
Total	\$641,074	\$519,891	\$641,074

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$160,001	\$54,443	\$160,001
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	152,901	151,261	152,901
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(16,990)	14,785	(16,990)
Increase (Decrease) in Accounts Payable	236	(22,174)	236
Increase (Decrease) in Accrued Wages	1,632	43	1,632
Increase (Decrease) in Accrued Interest Payable	602	(264)	602
Increase (Decrease) in Compensated Absences	(673)	2,845	(673)
Decrease (Increase) Loss on Bond Refunding	3,349	3,350	3,349
GASB 68			
Deferred Outflow of Resources-Contributions	(3,086)	243	(3,086)
Difference in expected and actual experience	40	(6,263)	40
Difference in projected and actual earnings	(20,177)	50,953	(20,177)
Difference in assumption changes	1,743	(1,743)	1,743
GASB 75			
Difference in assumption changes	(1,459)	(2,377)	(1,459)
Difference in projected and actual earnings	(179)	4	(179)
Increase (Decrease) in Net Pension Liability	(44)	(9,932)	(44)
Increase (Decrease) in OPEB Liability	4,028	3,026	4,028
Net Cash Provided (Used) by Operating Activities	<u>\$281,924</u>	<u>\$238,200</u>	<u>\$281,924</u>
Noncash Investing, Capital, and Financing Activities:			
Federal Grants	\$0	\$260,600	\$0
Notes Payable	0	307,480	0
Note: The above funds are all enterprise funds.	<u>\$0</u>	<u>\$260,600</u>	<u>\$0</u>

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

CITY OF POTH, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of significant accounting policies

A. Reporting entity/ Basis of Accounting/Measurement Focus

The City of Poth, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Poth, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The CLFRF fund is used to administer grant monies to be used to help defray expenditures caused by COVID.

The economic development fund MMF used for special projects and for debt service.

The economic development fund EDC used for special projects and for debt service.

D. Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the utility fund (water, sewer, and garbage) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the government's water, sewer, and garbage operations.

E. Blended Component Units

The Poth Economic Development EDC and MMF are governed by boards appointed by the City Council who can impose their will on the Poth Economic Development EDC and MMF. Although they are legally separate from the City, the Poth Economic Development EDC and MMF are reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. They are reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component units.

F. Assets, liabilities, and Net Position or equity

1. Deposits and investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2021, the trade accounts receivable allowance in excess of 60 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2021, the trade accounts receivable allowance in excess of 90 days is equal to 100 percent of outstanding trade accounts receivable at September 30, 2021. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2021, and 10 percent of delinquent outstanding property taxes at September 30, 2021.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2021.

There were no prepaid items at September 30, 2021.

4. Restricted assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Monies are set aside in the general fund for future projects and are maintained in a separate bank account.

The restricted assets at September 30, 2021 were as follows:

Type	Governmental Activities	Business-Type Activities	Total
Administration	\$104,432	\$361,738	\$466,170
Economic Development	324,776		324,776
Public Safety	129,948		129,948
Street Maintenance	368,648		368,648
	<u>\$927,804</u>	<u>\$361,738</u>	<u>\$1,289,542</u>

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

There were no major outlays for capital assets and improvements during the year.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2021, fund balances are composed of the following:

Fund Balances:	
Restricted	
Administration	\$282,972
Special Projects	115
Economic Development	324,776
Public Safety	184,222
Committed	
Administration	113,746
Street Maintenance	368,648
Unassigned	233,160
Total Fund Balance	<u>\$1,507,639</u>

When an expenditure is incurred for purposes 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, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 to 33 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has two items that qualify for reporting in this category. They are amounts deferred under GASB 68 and GASB 75.

In addition to liabilities, the statement 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has two items that qualify for reporting in this category. They are amounts deferred under GASB 68, GASB 75, and deferred loss on bond refunding.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

12. *Use of Estimates*

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities, including bonds payable and pension and OPEB payables, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$256,712 difference are as follows:

Bonds Payable	\$191,315
Accrued Interest Payable	1,010
Net Pension Liability	39,557
Net OPEB Liability	18,922
Compensated Absences	<u>5,908</u>
	<u>\$256,712</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$2,413,578 difference are as follows:

Capital Assets Not Being Depreciated	\$186,433
Capital Assets Being Depreciated	3,252,929
Accumulated Depreciation	(1,025,784)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$2,413,578</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$27,121 difference are as follows:

Property Taxes Receivable	\$29,769
Allowance for Doubtful Accounts	<u>(2,648)</u>
Net	<u><u>\$27,121</u></u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$35,755 difference are as follows:

Fines and Fees Receivable	\$142,266
Allowance for Doubtful Accounts	<u>(106,511)</u>
Net	<u><u>\$35,755</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this (\$65,933) difference are as follows:

Capital Outlay - Additions	\$16,121
Capital Outlay - Dispositions - Net	(1,268)
Depreciation Expense	(80,786)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$65,933)</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. She is assisted by the City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the Mayor. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the Mayor is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations if they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2021.

B. Excess of expenditures over appropriations

For the year ended September 30, 2021, excess of expenditures over appropriations did not occur in the general fund. There was no budget adopted for the Economic Development MMF Fund, the Economic Development MMF Fund, and the CLFRF fund.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2021.

IV. Detailed notes on all funds

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (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, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is not in substantial compliance with the requirements of the Act and with local policies because, the City has adopted an investment policy but does not have a certified investment officer.

Policies Governing Deposits and Investments

- a. The City's deposits and certificates of deposit are entirely with the city's one depository bank and are entirely covered by federal depository insurance (FDIC) or by collateral held by the government's agent in the government's name. The FDIC insures the first \$250,000 of checking accounts and \$250,000 of interest-bearing accounts. Deposit balances over the respective \$250,000 are insured by the collateral. As of year end, the carrying amount of the City's total bank balances totaled \$2,314,875 while the value of securities pledged at September 30, 2021 is \$2,443,987. The book amount of cash at September 30, 2021 is \$2,255,170.

The securities are held by the pledging financial institution's trust department.

The City had no investments at September 30, 2021.

B. Receivables

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Utility</u>	<u>Total</u>
<u>Receivables</u>			
Taxes	\$29,769		\$29,769
Accounts		126,659	126,659
Other	3,251		3,251
Fines	<u>142,266</u>		<u>142,266</u>
Gross Receivables	175,286	126,659	301,945
Less: Allowance for Uncollectibles	<u>109,159</u>	<u>27,088</u>	<u>136,247</u>
Net Total Receivables	<u>\$66,127</u>	<u>\$99,571</u>	<u>\$165,698</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2021, was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$181,433			\$181,433
CIP	\$5,000			\$5,000
Total capital assets not being depreciated:	186,433	0	0	186,433
Capital assets being depreciated:				
Building and Improvements	366,759	16,121		382,880
Machinery, Equipment and Vehicles	282,403		3,170	279,233
Infrastructure	2,590,816			2,590,816
Total capital assets being depreciated:	3,239,978	16,121	3,170	3,252,929
Less: Accumulated Depreciation for:				
Building and Improvements	168,675	15,765		184,440
Machinery, Equipment and Vehicles	242,342	14,742	1,902	255,182
Infrastructure	535,883	50,279		586,162
Total Accumulated Depreciation	946,900	80,786	1,902	1,025,784
Total Capital Assets Depreciated, Net	2,293,078	(64,665)	1,268	2,227,145
Governmental Activities capital assets, Net	\$2,479,511	(\$64,665)	\$1,268	\$2,413,578
Business-Type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$82,134			\$82,134
Construction In Progress	548,531		548,531	0
Total capital assets not being depreciated:	630,665	0	548,531	82,134
Capital assets being depreciated:				
Building and Improvements	6,785,971	561,270		7,347,241
Machinery, Equipment and Vehicles	506,671			506,671
Total capital assets being depreciated:	7,292,642	561,270	0	7,853,912
Less: Accumulated Depreciation for:				
Building and Improvements	3,671,866	123,945		3,795,811
Machinery, Equipment and Vehicles	411,407	28,956		440,363
Total Accumulated Depreciation	4,083,273	152,901	0	4,236,174
Total Capital Assets Depreciated, Net	3,209,369	408,369	0	3,617,738
Business-Type Activities Capital Assets, Net	\$3,840,034	\$408,369	\$548,531	\$3,699,872

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

Governmental Activities	
General Administration	\$404
Public Safety	9,182
Public Transportation	50,180
Culture and Recreation	<u>21,020</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$80,786</u></u>
Business-Type Activities	
Utility	<u>\$152,901</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$152,901</u></u>

Construction commitments: None

D. Inter-fund receivables, payables, and transfers

The City had no due to/from other funds at September 30, 2021.

The intra-fund fund transfers for the year ended September 30, 2021 are non-recurring and are as follows:

<u><i>TRANSFER</i></u>	<i>TO</i>	<i>AMOUNT</i>	<i>REASON</i>
<u><i>FROM</i></u>			
GENERAL FUND	ECONOMIC DEVELOPMENT MMF FUND	124,393	PROVIDE CAPITAL FUNDS
GENERAL FUND	EMERGENCY FACILITY	97,023	PROVIDE CAPITAL FUNDS
GENERAL FUND	POLICE GRANT FUND	50,030	PROVIDE CAPITAL FUNDS
ECONOMIC DEVELOPMENT EDC FUND	PARK PROJECT EDC FUND	52,000	PROVIDE CAPITAL FUNDS
ECONOMIC DEVELOPMENT EDC FUND	CAPITAL PROJECTS EDC FUND	4,500	PROVIDE CAPITAL FUNDS
COPSYNC FUND	POLICE GRANT FUND	<u>140</u>	PROVIDE CAPITAL FUNDS
		<u><u>\$328,086</u></u>	

E. Leases

The City had no Operating Leases.

Rent expenditures were \$0 for the year ended September 30, 2021. Rental income was \$14,290 for the year ended September 30, 2021. Sublease rental income was \$0 for the year ended September 30, 2021.

F. Long-term debt

Capital Leases

The Capital Leases consists of one contract for utility meters that has been capitalized into the Business-type Activities Capital Assets at \$286,432. The debt is serviced by the Utility Fund. The pledged security for the capital lease is the equipment financed. The following for the above debt is a schedule of the future minimum lease payments and the present value of net minimum lease payments at September 30, 2021.

The accumulated depreciation of the above equipment is as follows:

ASSET	Business-Type Activities	
	UTILITY	
	METERS	TOTAL
COST	\$286,432	\$286,432
ACCUMULATED DEPRECIATION	11,457	11,457
NET ASSET	<u>\$297,889</u>	<u>\$297,889</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

YEAR	Business- Type Activities	AMOUNT
2022	\$44,353	\$44,353
2023	44,353	44,353
2024	44,353	44,353
2025	44,353	44,353
2026	44,353	44,353
2027	44,353	44,353
2028	44,353	44,353
Total Minimum Lease Payments	<u>310,471</u>	<u>310,471</u>
Less: Amount Representing Interest Present Value of Net Minimum Lease Payments	<u>37,206</u>	<u>37,206</u>
	<u>\$273,265</u>	<u>\$273,265</u>

Bonds

The Tax and Revenue Refunding Bonds are direct obligations and pledge the full faith and credit of the government and are secured by both the ad valorem taxes and utility revenue sources. The refunding bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>	<u>Collateral</u>
Governmental activities	2.40	\$191,314	Ad Valorem Taxes and Utility Revenues
Business-type activities	2.40	\$382,685	Ad Valorem Taxes and Utility Revenues

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
Bonds Payable	\$236,310		\$44,996	\$191,314	\$45,995	\$145,319
	236,310	0	44,996	191,314	45,995	145,319
<u>Business-Type Activities:</u>						
Bonds Payable	472,690		90,005	382,685	92,005	290,680
	472,690	0	90,005	382,685	92,005	290,680
Grand Total	\$709,000	\$0	\$135,001	\$573,999	\$138,000	\$435,999

The general fund (33.33%) and the utility funds (66.67%) are used to service the bonds. The changes in long-term liabilities are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due after One Year</u>
<u>Governmental Activities:</u>						
G.O. Bonds	\$236,310		\$44,995	\$191,315	\$45,995	\$145,320
Total Bonds Payable	236,310	0	44,995	191,315	45,995	145,320
Net Pension Liability	41,222	39,557	41,222	39,557		39,557
Net OPEB Liability	16,810	18,922	16,810	18,922		18,922
Compensated Absences	6,120	5,908	6,120	5,908	5,908	0
Total Governmental Activities	300,462	64,387	109,147	255,702	51,903	203,799
<u>Business-Type Activities:</u>						
Revenue Bonds	472,690		90,005	382,685	92,005	290,680
Total Bonds Payable	472,690	0	90,005	382,685	92,005	290,680
Capital Lease	307,480		34,215	273,265	34,215	239,050
Net Pension Liability	57,397	57,353	57,397	57,353		57,353
Net OPEB Liability	23,407	27,435	23,407	27,435		27,435
Compensated Absences	9,283	8,610	9,283	8,610	8,610	0
Total Business-Type Activities	870,257	93,398	214,307	749,348	134,830	614,518
Grand Total	\$1,170,719	\$157,785	\$323,454	\$1,005,050	\$186,733	\$818,317

The general fund and the business type funds are used to service the compensated absences. The estimated amount due in the 2021-22 year is \$14,518. The government-wide statement of activities includes \$186,733 as "noncurrent liabilities, due within one year". There was no interest capitalized in the utility fund but rather all the interest was expensed.

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage, and subrogation).

Changes in accrued liabilities for these claims follow:

	Year ended <u>09/30/20</u>	Year ended <u>09/30/21</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Related party transaction

Chrystal Eckel, the Mayor, is a partner of with Lyssey & Eckel where the City spent \$1,040.52 for the 2020-21 fiscal year.

Rose Huizar's sister performed cleaning services for the City at a cost of \$2,600.00 for the 2020-21 fiscal year.

Angela Molina, who works in the Utility Department, is related to Roland Molina who owns RM Services. The City paid \$3,300 for the 2020-21 fiscal year.

Charles Fanara, who works for the Police Department, had warrants payable in the amount of \$150 for the 2020-21 fiscal year.

At year's end there were no amounts owed to any of the above nor did any of the above owe any amounts to the City.

C. Subsequent events

On October 18, 2021, the City approved the bid proposal for an aerator for the Water Treatment Plant not to exceed \$200,000.00 to be paid with ARP funds.

On December 20, 2021, the City approved the proposed Turf Program for the baseball and softball fields with an estimated cost of \$25,410.00.

On March 21, 2022, the City accepted the quote from Plant Fabricators for the construction of a new water tower for \$98,881.00. The City also accepted the quote from Superior Construction Services for the construction of the water cooler foundation for \$42,750.00.

On May 16, 2022, the City appointed Lex Poth to the vacant position on City Council.

On May 31, 2022, the City appointed Sara Canady as Municipal Judge.

On June 13, 2022, the City approved the Oil and Gas Lease and Water agreement with Recoil Resources, effective June 13, 2022 for a term of one year, for 136.08 acres located in the Luis Manchaca Grant A-18. The lease payment is \$300/acre or \$40,824.00 payable within thirty days of lease execution.

On June 20, 2022, the City accepted the bid of \$76,500.00 for the 2022 Street Seal Coat Project submitted by SLP Constructors.

The City is also installing a new aerator, for an estimated cost of \$120,000.00, which will be paid for using Covid Grant (SLFRP) funds.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time,

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There were no legal matters requiring disclosure for the 2020-21 fiscal year.

E. Investment in Floresville Electric Light and Power

The City is one of three joint venture investors (investors) in the Floresville Electric Light and Power System (FELPS). In an agreement signed during the fiscal year ending September 30, 1998, the City acquired a permanent 18% undivided equity interest in FELPS. This interest shall remain constant regardless of subsequent differences in rates of growth, population, or consumption. Also, under the agreement, FELPS agreed to annually distribute in the aggregate to the investors an amount not greater than 3% of the dollar value of annual electric sales for the entire system for the year. The amount distributed to each investor is based on the respective equity percentage applied to the total amount approved for distribution by the FELPS board. Distributions are paid monthly in amounts equal to one-twelfth (1/12) of the total distribution amount determined based on sales for the previous year.

For the calendar year ended December 31, 2020 (the fiscal year of FELPS), FELPS' net income was \$5,321,386, of which 18%, or \$957,849 is the City's portion. During the calendar year ended December 31, 2019, the City received distributions of prior year revenue of \$215,265.

During the year ended September 30, 2021, the City reported distributions of \$208,519 based on the calendar years ended December 31, 2019 and 2020 electric sales.

The following represents an excerpt of the audited balance sheet of FELPS as of December 31, 2019.

	2021	
Total Assets	\$119,411,149	
Equity - City of Poth	\$5,633,089	
Equity - Other Participants	25,661,851	
Total Equity	31,294,940	
Liabilities	88,116,209	
Total Equity and Liabilities	\$119,411,149	
		FELPS
		TOTAL
Balance at January 1, 2020	9,243,385	51,352,139
Net Income	(3,390,600)	(18,836,668)
Effect of defined benefit plan funding obligations	0	0
Cash Distributions	(\$219,696)	(1,220,531)
Balance at December 31, 2021	5,633,089	31,294,940

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

Actuarial Valuation and Measurement Date, December 31,	2020	2019
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	4	4
- Inactive employees entitled to but not yet receiving benefits	14	16
- Active employees	10	8
- Total	<u>28</u>	<u>28</u>
Covered Payroll	\$441,170	\$410,591
Net Pension Liability		
Total Pension Liability	\$843,204	\$771,969
Plan Fiduciary Net Position	<u>746,294</u>	<u>673,350</u>
Net Pension Liability/(Asset)	\$96,910	\$98,619
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.51%	87.23%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	21.97%	24.02%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	2.00%	2.75%
Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	N/A	N/A

SCHEDULE OF PENSION EXPENSE

1	Total Service Cost	\$40,720
2	Interest on the Total Pension Liability	52,553
3	Changes in Current Period Benefits Including Substantively Automatic Status	0
4	Employee Contributions (Reduction of Expense)	(30,882)
5	Projected Earnings on Plan Investments (Reduction of Expense)	(45,451)
6	Administrative Expense	331
7	Other Changes in Fiduciary Net Position	13
8	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	2,579
9	Recognition of Current Year Outflow (Inflow) of Resources-Assets	(1,129)
10	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	390
11	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	<u>(5,538)</u>
12	Total Pension Expense (Income)	\$13,586

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	2020 Recognized in current pension expense	Deferred (Inflow)/Outfl ow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	2.13	\$5,493	\$2,579	\$2,914
Change in assumptions [actuarial (gains) or losses]	2.13	0	0	0
			<u>\$2,579</u>	<u>\$2,914</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5	(\$5,647)	(\$1,129)	(\$4,518)
			<u>(\$1,129)</u>	<u>(\$4,518)</u>
<u>Total:</u>				<u>(\$1,604)</u>

B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2021	(\$2,670)
2022	2,516
2023	(10,946)
2024	(1,131)
2025	0
Thereafter	0
Total	<u>(\$12,231)</u>

Note to City:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next ID-year period. The data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their T MRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

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

1% Decrease	Current Single Rate Assumption	1% Increase
5.75%	6.75%	7.75%
\$183,627	\$96,910	\$22,634

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

I. Economic Assumptions

A. General Inflation — General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers,
 2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.
- C. Overall Payroll Growth — 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases —

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

- E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Poth annual annuity increases of 0.00% are assumed when calculating the TPL.

- Load for Updated Service Credit – To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.
- F.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Poth the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 68%, 2) Police - 86%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Poth the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 54%, 2) Police — 83%, or 3) Other — 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 95.0%.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

G. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by age. For members under the age of 62, these rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 95%

III. *Methods and Assumptions*

- A. The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 12% corridor around the market value of assets, if necessary.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.
- C. Amortization Policy: For "underfunded" cities the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. For cities with twenty or more employees new experience losses are amortized over individual periods of not more than 25 years. Beginning December 31, 2020, new loss bases for cities with fifteen or more employees will be amortized over individual periods of not more than 20 years. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior bases are erased and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year over year.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 12 years or the current life expectancy of the covered group. However, if the non-ad hoc (level percent) amortization factor is smaller due to a shorter amortization period based on the employer's size, as described below, ad hoc enhancements will be amortized the same as any other loss.

- D. **Small City Methodology** For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 110% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum period for amortizing losses is decreased by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard policy. Beginning December 31, 2020, the member threshold will be lowered to 15 to be consistent with the decrease in the standard amortization period to 20.

IV. *Other Assumptions*

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
6. Optional Forms: All healthy and disabled members are assumed to choose a 50% Joint and Survivor option when they retire. For healthy members, this is approximated by reducing

the benefit payment by a factor equal to 2.1% at age 60 (with adjustments by age). The 2.1% is effective for the 2019 calendar year and will reduce by 10% each year until the phase into the APR rates is complete, at which time there will be no need for such factor.

7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.
9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and "(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II (H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Amortization Schedule

Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year						
			2020	2021	2022	2023	2024	2025	Thereafter

Due to Liabilities:

difference in experiences (inflows)/outflows

2020	2.13	\$5,493	\$2,579	\$2,579	\$335	\$0	\$0	\$0	\$0
2019	2.57	3,032	1,180	1,180	672	0	0	0	0
2018	1.43	-4,443	-3,107	-1,336	0	0	0	0	0
2017	1.31	1713	1308	405	0	0	0	0	0
2016	1.00	-157	-157	0	0	0	0	0	0
Total			\$1,803	\$2,828	\$1,007	\$0	\$0	\$0	\$0

change in assumptions (inflows)/outflows

2019	2.57	\$2,995	\$1,166	\$1,166	\$663	\$0	\$0	\$0	\$0
Total			\$1,166	\$1,166	\$663	\$0	\$0	\$0	\$0

Due to Assets:

excess investment returns (inflows)/outflows

2020	5.00	(\$5,647)	(\$1,129)	(\$1,129)	(\$1,129)	(\$1,129)	(\$1,131)	\$0	\$0
2019	4.00	(39,262)	(9,815)	(9,815)	(9,815)	(9,817)	0	0	0
2018	3.00	35,374	11,792	11,792	11,790	0	0	0	0
2017	2.00	(15,023)	(7,511)	(7,512)	0	0	0	0	0
2016	1.00	(4)	(4)	0	0	0	0	0	0
Total			(\$6,667)	(\$6,664)	\$846	(\$10,946)	(\$1,131)	\$0	\$0

G. GASB 75 Information

Actuarial and Financial Schedules

Actuarial Valuation and Measurement Date, December 31, Membership	2019	2020
Number of		
-Inactive employees currently receiving benefits	5	5
-Inactive employees entitled to but not yet receiving benefits	0	0
-Active employees	8	10
-Total	13	15
Covered Payroll	\$410,591	\$441,170
Changes in the Total OPEB Liability		
Total OPEB Liability - beginning of year	\$34,208	\$40,217
Changes for the year		
Service cost	1,273	2,073
Interest on Total OPEB Liability	1,284	1,128
Changes of benefit term	0	0
Differences between expected and actual experience	(1,204)	(941)
Changes in assumptions or other inputs	5,108	4,365
Benefit payments	(452)	(485)
Net changes	6,009	6,140
Total OPEB Liability - end of year	\$40,217	\$46,357
Total OPEB Liability as a Percentage of Covered Payroll	9.79%	10.51%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$53,137	\$46,357	\$40,664

OPEB Expense:	
Service cost	\$2,073
Interest on total OPEB Liability	1,128
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,310)
Changes in assumptions or other inputs	1,971
Total OPEB expense	<u>\$3,862</u>

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$3,568)	\$0
Changes in assumptions and other inputs	0	6,657
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	(\$3,568)	\$6,657

Note: The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources.

Schedule of Outflows and Inflows - Current and future expense

Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2020 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:			
Difference in expected and actual experience [actuarial (gains) or losses]	4.59	(\$941)	(\$205)
Change in assumptions [actuarial (gains) or losses]	4.59	4,365	951
Contributions made subsequent to measurement date	None	None	None
Total (excluding city provided contributions made subsequent to measurement date):			<u><u>\$2,678</u></u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

	Net deferred outflows (inflows) of resources
2021	\$661
2022	276
2023	1,088
2024	1,064
2025	0
Thereafter	0
	<u>\$3,089</u>

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2020	2021	2022	2023	2024	2025	Thereafter
difference in experience (inflows)/outflows									
2020	4.59	(\$941)	(\$205)	(\$205)	(\$205)	(\$205)	(\$121)	\$0	\$0
2019	4.95	(1,002)	(202)	(202)	(202)	(202)	(194)	0	0
2018	3.25	(2,935)	(903)	(903)	(903)	(226)	0	0	0
		Total	(\$1,310)	(\$1,310)	(\$1,310)	(\$633)	(\$315)	\$0	\$0
change in assumptions (inflows)/outflows									
2020	4.59	\$4,365	\$951	\$951	\$951	\$951	\$561	\$0	\$0
2019	4.95	4,250	858	858	858	858	818	0	0
2018	3.25	(1,144)	(352)	(352)	(352)	(88)	0	0	0
2017	2.25	1,157	514	514	129	0	0	0	0
		Total	\$1,971	\$1,971	\$1,586	\$1,721	\$1,379	\$0	\$0

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2021	<i>0.53%</i>	<i>0.36%</i>
2020	<i>0.34%</i>	<i>0.11%</i>
2019	<i>0.32%</i>	<i>0.11%</i>
2018	<i>0.27%</i>	<i>0.09%</i>
2017	<i>0.34%</i>	<i>0.09%</i>

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

$$\text{Total covered payroll} * \text{Retiree Portion of SDB Contribution (Rate)}$$

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial Assumptions

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

I. Economic Assumptions

- A. General Inflation – General Inflation is assumed to be 2.50% per year.
- B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of the measurement date.
- C. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Poth the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 68%, 2) Police – 86%, or 3) Other – 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Poth the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 54%, 2) Police – 83%, or 3) Other – 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 95.0%.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1 – 1	0.75	0.80	0.84
1.5 – 1	0.81	0.86	0.92
2 – 1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 95%

III. Methods and Assumptions

- A. Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SOB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full term cost.

IV. Other Assumptions

- 1. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).
- 2. There will be no recoveries once disabled.
- 3. Decrement timing: Decrements of all types are assumed to occur mid-year.
- 4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. *Participant Data*

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a city with “20 and out” retirement eligibility and one that hasn’t adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS - CURRENT PERIOD

A. Total pension liability

	2018	2019	2020
1 Service Cost	\$40,976	\$38,349	\$40,720
2 Interest (on the Total Pension Liability)	46,033	47,850	52,553
3 Change in benefit terms including substantively automatic status	0	0	0
4 Difference between expected and actual experience	-10,657	4,212	5,493
5 Change in assumptions	0	4,161	0
6 Benefit payments, including refunds of employee contributions	-71,563	-24,649	-27,531
7 Net change in total pension liability	\$4,789	\$69,923	\$71,235
8 Total pension liability - beginning	697,257	702,046	771,969
9 Total pension liability - ending	\$702,046	\$771,969	\$843,204

B. Plan fiduciary net position

1 Contributions - employer	\$18,606	\$18,353	\$18,838
2 Contributions - employee	30,645	28,741	30,882
3 Net investment income	(18,117)	87,164	51,098
4 Benefit payments, including refunds of employee contributions	(71,563)	(24,649)	(27,531)
5 Administrative Expense	(350)	(493)	(331)
6 Other	(18)	(15)	(13)
7 Net change in plan fiduciary net position	(\$40,798)	\$109,102	\$72,943
8 Plan fiduciary net position - beginning	605,046.00	564,248.00	673,350.00
9 Plan fiduciary net position - ending	\$564,248	\$673,350	\$746,293

C. Net pension liability/(asset) [A.9 - B.9]

\$137,798	\$98,619	\$96,911
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D. Plan fiduciary net position as a percentage of the total pension liability [B.9/A.9]

80.37%	87.23%	88.51%
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E. Covered payroll

\$437,779	\$410,591	\$441,170
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F. Net pension liability/(asset) as a percentage of covered payroll [C/E]

31.48%	24.02%	21.97%
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SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2017	2018	2019	2020
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

OPEB Retirement System Information:

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	2019	2020
1. Service Cost	\$1,273	\$2,073
2. Interest on Total OPEB Liability	1,284	1,128
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	(1,204)	(941)
5. Changes in assumptions or other inputs	5,108	4,365
6. Benefit payments	(452)	(485)
7. Net changes	6,009	6,140
Total OPEB Liability - beginning of year	34,208	40,217
Total OPEB Liability - end of year	<u>\$40,217</u>	<u>\$46,357</u>
E. Covered-employee payroll (B.9 / A.9)	\$410,591	\$441,170
F. Total OPEB Liability as a Percentage of Covered Payroll	9.79%	10.51%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF POTH, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	SPECIAL REVENUE									
	Agency Fund	COP-Sync	Court Technology Fund	Emergency Facility Fund	Capital Projects EDC Fund	Park Project EDC Fund	Police Grant Fund	Ride to Remember	TXCDBG	Total
ASSETS										
Cash and Cash Equivalents	\$477		\$4,104				\$50,170	\$8,837	\$115	\$63,703
Restricted Assets:										
Cash and Cash Equivalents				129,948	58,477	104,432				292,857
Total Assets	\$477	\$0	\$4,104	\$129,948	\$58,477	\$104,432	\$50,170	\$8,837	\$115	\$356,560
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable										\$0
Total Liabilities	0	0	0	0	0	0	0	0	0	0
Fund Balances										
Restricted										
Administration										0
Special Projects									115	115
Economic Development					58,477					58,477
Public Safety			4,104	129,948			50,170			184,222
Committed										
Administration	477					104,432		8,837		113,746
Total Fund Balances	477	0	4,104	129,948	58,477	104,432	50,170	8,837	115	356,560
TOTAL LIABILITIES AND FUND BALANCES	\$477	\$0	\$4,104	\$129,948	\$58,477	\$104,432	\$50,170	\$8,837	\$115	\$356,560

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

CITY OF POTH, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	SPECIAL REVENUE									Total
	Agency Fund	COP-Sync	Court Technology Fund	Emergency Facility Fund	Capital Projects EDC Fund	Park Project EDC Fund	Police Grant Fund	Ride to Remember	TXCDBG	
<i>REVENUES</i>										
Taxes										
Sales										\$0
Intergovernmental						\$109,429				109,429
Charges for Services			6,992					12,309		19,301
Interest					162					162
Miscellaneous	200							1,111		1,311
Total Revenues	200	0	6,992	0	162	109,429	0	13,420	0	130,203
<i>EXPENDITURES</i>										
Current:										
General Administration										
General Administration	204							20,196		20,400
Public Safety										
Municipal court			6,105							6,105
Capital Projects						57,927				57,927
Total Expenditures	204	0	6,105	0	0	57,927	0	20,196	0	84,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4)	0	887	0	162	51,502	0	(6,776)	0	45,771
<i>OTHER FINANCING SOURCES (USES):</i>										
Operating Transfers In				97,023	4,500	52,000	50,170			203,693
Operating Transfers Out		(140)								(140)
Total Other Financing Sources (Uses)	0	(140)	0	97,023	4,500	52,000	50,170	0	0	203,553
Net Changes in Fund Balances	(4)	(140)	887	97,023	4,662	103,502	50,170	(6,776)	0	249,324
Fund Balances - Beginning	481	140	3,217	32,925	53,815	930	0	15,613	115	107,236
Fund Balances - Ending	\$477	\$0	\$4,104	\$129,948	\$58,477	\$104,432	\$50,170	\$8,837	\$115	\$356,560

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