

CITY OF NATALIA, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2021

CITY OF NATALIA, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Natalia, 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 Natalia, 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 Natalia, 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 and the Municipal Development District 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 3–12, 75-76, and 77 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 Natalia, 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
November 17, 2022

Management's Discussion and Analysis

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

Financial Highlights

- . The assets of the City of Natalia, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$3,947,607 (Net Position). Of this amount, \$816,213 or 21% (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

- . The government's total Net Position increased by \$141,455. This increase is due mainly to COVID Relief funds of \$210,944 and careful budget management.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Natalia, Texas' basic financial statements. The City of Natalia, 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 Natalia, Texas' finances, in a manner like a private-sector business.

The *statement of Net Position* presents information on all the City of Natalia, 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 Natalia, 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 Natalia, 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 Natalia, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Natalia, Texas include a Utility System.

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

The government-wide financial statements can be found on pages 13-14 for 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 Natalia, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All other funds of the City of Natalia, 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 Natalia, Texas maintains eight 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 municipal development district fund, and the grant fund. The other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on 15-20 of this report.

Proprietary funds: The City of Natalia, 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 Natalia, Texas uses enterprise funds to account for its Utility operations.

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 operations, which is a major fund of the City of Natalia, Texas. The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Notes to the financial statements: The notes provided 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 26-74 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 Natalia, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 75-77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 78-79 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 Natalia, Texas, assets exceeded liabilities by \$3,947,607 at the close of the most recent fiscal year.

A significant portion of the City of Natalia, Texas' Net Position (72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Natalia, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Natalia, 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. The remaining balance of *unrestricted Net Position*, \$816,213, may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF NATALIA, TEXAS NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$1,137,891	\$1,251,428	\$260,494	\$166,716	\$1,398,385	\$1,418,144
Restricted Assets:	38,239	13,839	222,707	212,387	260,946	226,226
Capital Assets:	881,720	885,882	3,987,948	4,137,715	4,869,668	5,023,597
Total Assets	2,057,850	2,151,149	4,471,149	4,516,818	6,528,999	6,667,967
Total Deferred Outflows of Resources	21,415	19,108	16,792	15,546	38,207	34,654
Long-Term Liabilities	172,380	198,840	1,941,123	1,940,259	2,113,503	2,139,099
Other Liabilities (Payable from Restricted Assets)			93,317	87,810	93,317	87,810
Other Liabilities	312,069	624,889	89,546	13,650	401,615	638,539
Total Liabilities	484,449	823,729	2,123,986	2,041,719	2,608,435	2,865,448
Total Deferred Inflows of Resources	6,258	17,105	4,906	13,916	11,164	31,021
Invested in Capital Assets, Net of Related Debt	745,536	725,764	2,079,807	2,235,074	2,825,343	2,960,838
Restricted	306,051	287,306			306,051	287,306
Unrestricted	536,971	316,353	279,242	241,655	816,213	558,008
Total Net Position	\$1,588,558	\$1,329,423	\$2,359,049	\$2,476,729	\$3,947,607	\$3,806,152

At the end of the current fiscal year, the City of Natalia, Texas can report positive balances in all three categories of Net Position for the government, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$18,745 in restricted Net Position reported in connection with the City of Natalia, Texas' governmental and business-type activities. This increase is due mainly to COVID Relief funds of \$210,944.

The government's total Net Position increased by \$141,455. This increase is due mainly to COVID Relief funds of \$210,944 and careful budget management.

Governmental activities: Governmental activities increased the City of Natalia, Texas' Net Position by \$259,135, thereby accounting for 183.19 percent of the total increase in the Net Position of the City of Natalia, Texas. This increase is due mainly to COVID Relief funds of \$210,944 and careful budget management.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$54,974	\$44,284	\$842,421	\$842,435	\$897,395	\$886,719
Operating Grants and Contributions	247,761	106,981			247,761	106,981
Capital Grants and Contributions	227,404	623,692		332,940	227,404	956,632
General Revenues:						
Maintenance and Operations Taxes	312,896	345,493			312,896	345,493
Sales Taxes	285,943	263,709			285,943	263,709
Franchise Taxes	36,615	38,171			36,615	38,171
Sale of Fixed Assets					0	0
Unrestricted Investment Earnings	174	253	183	10,823	357	11,076
Miscellaneous	8,655	10,034			8,655	10,034
Total Revenue	1,174,422	1,432,617	842,604	1,186,198	2,017,026	2,618,815
Expenses:						
General Administration	201,740	264,167			201,740	264,167
Public Safety	392,609	367,278			392,609	367,278
Public Facilities	248,574	560,654			248,574	560,654
Public Transportation	54,952	5,633			54,952	5,633
Culture and Recreation	18,093	18,091			18,093	18,091
Interest and Fiscal Charges	4,900	5,689			4,900	5,689
Utility			954,703	928,690	954,703	928,690
Total Expenses	920,868	1,221,512	954,703	928,690	1,875,571	2,150,202
Increase in Net Position before transfers and special items	253,554	211,105	(112,099)	257,508	141,455	468,613
Transfers	5,581	(31,197)	(5,581)	31,197	0	0
Increase in Net Position	259,135	179,908	(117,680)	288,705	141,455	468,613
Net Position at 09/30/2020	1,329,423	1,149,515	2,476,729	2,188,024	3,806,152	3,337,539
Net Position at 09/30/2021	\$1,588,558	\$1,329,423	\$2,359,049	\$2,476,729	\$3,947,607	\$3,806,152

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$201,740	\$100	\$0	\$0
Public Safety	392,609	54,874	247,761	
Public Facilities	248,574			227,404
Public Transportation	54,952			
Culture and Recreation	18,093			
Interest and Fiscal Charges	4,900			
Total Government Activities	\$920,868	\$54,974	\$247,761	\$227,404

Revenues by source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$54,974	5%
Operating Grants and Contributions	247,761	21%
Capital Grants and Contributions	227,404	19%
Maintenance and Operations Taxes	312,896	27%
Sales Taxes	285,943	24%
Franchise Taxes	36,615	3%
Unrestricted Investment Earnings	174	0%
Miscellaneous	8,655	1%
	<u>\$1,174,422</u>	<u>100%</u>

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

Business-type Activities: Business-type activities decreased the City of Natalia, Texas' Net Position by \$117,680, accounting for .00 percent of the total increase in the government's Net Position. This decrease is due mainly to an increase in expenses of \$26,013 and a reduction in net transfers in of \$36,778.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary government			
Business-type activities:			
Utility	\$954,703	\$842,421	\$0
Total business-type activities	\$954,703	\$842,421	\$0
Revenues by source - Business-type Activities			
	<u>REVENUES</u>	<u>%</u>	
Charges for Services	\$842,421	100%	
Capital Grants and Contributions	0	0%	
Unrestricted Investment Earnings	183	0%	
	<u>\$842,604</u>	<u>100%</u>	

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the City of Natalia, 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 Natalia, 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 Natalia, Texas' governmental funds reported combined ending fund balances of \$743,854, an increase of \$205,648 in comparison with the prior year. Approximately 45% of this total amount \$331,639 constitutes *unassigned fund balance*, which is available for spending at the government's discretion

The general fund is the chief operating fund of the City of Natalia, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$331,639, while total fund balance reached \$331,639. 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, undesignated fund balance represents 53 percent of total general fund expenditures, while total fund balance represents 53 percent of that same amount.

The fund balance of the City of Natalia, Texas' general fund increased by \$186,696 during the current fiscal year. This increase is due mainly to COVID Relief funds of \$210,944 and careful budget management.

At the end of the current fiscal year the restricted fund balance of the municipal development district fund was \$252,225, while total fund balance reached \$252,225. As a measure of the municipal development district fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 299 percent of total municipal development district fund expenditures, while total fund balance represents 299 percent of that same amount.

The fund balance of the City of Natalia, Texas' municipal development district fund increased by \$15,548 during the current fiscal year. This increase is mainly attributable to careful budget management.

There is no analysis for the grant fund because it is grant oriented in nature thus making any analysis or comparison with prior years untenable.

Proprietary funds: The City of Natalia, 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 \$279,242. The total decrease in Net Position for the Utility Fund was \$117,680. Key factors in this overall decrease are examined above.

General Fund Budgetary Highlights

During the year there was an increase in appropriations between the original and final amended budget for the general fund of \$21,805. The increase is immaterial.

During the year there was no change in appropriations between the original and final amended budget for the municipal development district fund.

Capital Asset and Debt Administration

Capital assets: The City of Natalia, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$4,869,668 (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 Natalia, Texas' investment in capital assets for the current fiscal year was 3 percent (a .47 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: The City had no major construction activities during the year.

City of Natalia, Texas' Capital Assets (Net of depreciation)

**CITY OF NATALIA, TEXAS
CAPITAL ASSETS (net of
depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$434,013	\$434,013	\$473,074	\$473,074	\$907,087	\$907,087
Construction in Progress	0	0	0	2,086,641	0	2,086,641
Building and improvements	447,707	442,909	40,918	42,070	488,625	484,979
Machinery and equipment	0	8,960	62,379	21,031	62,379	29,991
Infrastructure	0	0	0	0	0	0
Distribution System	0		3,411,577	1,514,899	3,411,577	1,514,899
Total	\$881,720	\$885,882	\$3,987,948	\$4,137,715	\$4,869,668	\$5,023,597

Additional information of the City of Natalia, Texas' capital assets can be found in note IV.C on pages 38-39 of this report.

Long-term debt: At the end of the current fiscal year, the City of Natalia, Texas had the following outstanding bonded debt.

	<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>						
Tax Bonds	\$147,000		\$19,000	\$128,000	\$20,000	\$108,000
	\$147,000	\$0	\$19,000	\$128,000	\$20,000	\$108,000
<u>Business-type activities:</u>						
Revenue Bonds	\$1,856,778		\$33,000	\$1,823,778	\$33,000	\$1,790,778
	\$1,856,778	\$0	\$33,000	\$1,823,778	\$33,000	\$1,790,778
Total	\$2,003,778	\$0	\$52,000	\$1,951,778	\$53,000	\$1,898,778

The City of Natalia, Texas' total bonded debt decreased by \$52,000 during the current fiscal year. This was the result of a principal payment of \$52,000.

Additional information on the City of Natalia, Texas' long-term debt can be found in note IV.F on pages 40-42 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 Natalia, 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 270; Natalia, Texas 78059.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$759,483	\$176,068	\$935,551
Receivables (Net of Allowance for Uncollectibles)	378,408	84,426	462,834
Restricted Assets:			
Cash and Cash Equivalents	38,239	222,707	260,946
Capital Assets Not Being Depreciated:			
Land	434,013	473,074	907,087
Construction in Progress	0	0	0
Total Capital Assets Being Depreciated, Net			
Building and Improvements	447,707	40,918	488,625
Intangible	0		0
Machinery and Equipment	0	62,379	62,379
Distribution System		3,411,577	3,411,577
Total Assets	<u>\$2,057,850</u>	<u>\$4,471,149</u>	<u>\$6,528,999</u>
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Contributions After 12/31/2020	14,564	11,420	25,984
Difference in assumption changes	0	0	0
GASB 75			
Difference in expected and actual experience	1,432	1,122	2,554
Difference in assumption changes	5,419	4,250	9,669
Total Deferred Outflows of Resources	<u>21,415</u>	<u>16,792</u>	<u>38,207</u>
LIABILITIES:			
Accounts Payable	\$306,203	\$86,569	\$392,772
Interest Payable	159	2,977	3,136
Deferred Revenues	5,707		5,707
Consumer Meter Deposit		93,317	93,317
Noncurrent Liabilities:			
Due Within One Year	27,328	61,029	88,357
Due in More Than One Year	145,052	1,880,094	2,025,146
Total Liabilities	<u>484,449</u>	<u>2,123,986</u>	<u>2,608,435</u>
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	4,870	3,818	8,688
Difference in proj. and actual earnings on pension plan inv.	1,388	1,088	2,476
Total Deferred Inflows of Resources	<u>6,258</u>	<u>4,906</u>	<u>11,164</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	745,536	2,079,807	2,825,343
Restricted			
Construction	4,186		4,186
Debt Service	38,189		38,189
Municipal Court Reserve	11,355		11,355
Municipal Development	252,225		252,225
Public Safety	96		96
Unrestricted	536,971	279,242	816,213
Total Net Position	<u>\$1,588,558</u>	<u>\$2,359,049</u>	<u>\$3,947,607</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in	Net (Expense) Revenue and Changes in
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net Activities	Total
Primary Government							
Government Activities:							
General Administration	\$201,740	\$100		\$0	(\$201,640)		(\$201,640)
Public Safety	392,609	54,874	247,761		(89,974)		(89,974)
Public Facilities	248,574			227,404	(21,170)		(21,170)
Public Transportation	54,952				(54,952)		(54,952)
Culture and Recreation	18,093			0	(18,093)		(18,093)
Interest and Fiscal Charges	4,900				(4,900)		(4,900)
Total Government Activities	920,868	54,974	247,761	227,404	(390,729)	0	(390,729)
Business-Type Activities:							
Utility	954,703	842,421		0		(112,282)	(112,282)
Total Business-Type Activities	954,703	842,421	0	0	0	(112,282)	(112,282)
Total Primary Government	\$1,875,571	\$897,395	\$247,761	\$227,404	(390,729)	(112,282)	(503,011)
General Revenues							
Property Taxes, Levies for General Purposes					312,896		312,896
Sales Taxes					285,943		285,943
Franchise Taxes					36,615		36,615
Unrestricted Investment Earnings					174	183	357
Miscellaneous					8,655		8,655
Transfers					5,581	(5,581)	0
Total General Revenues and Transfers					649,864	(5,398)	644,466
Change in Net Position					259,135	(117,680)	141,455
Net Position - Beginning					1,329,423	2,476,729	3,806,152
Net Position - Ending					\$1,588,558	\$2,359,049	\$3,947,607

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

	General Fund	Municipal Development District Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>					
Cash and Cash Equivalents	\$376,684	\$254,938	\$10,246	\$117,615	\$759,483
Receivables (Net of Allowance for Uncollectibles)	105,105		227,404		332,509
Restricted Assets:					
Cash and Cash Equivalents	50			38,189	38,239
Total Assets	\$481,839	\$254,938	\$237,650	\$155,804	\$1,130,231
<i>LIABILITIES AND FUND BALANCES:</i>					
Accounts Payable	\$70,026	\$2,713	\$233,464	\$0	\$306,203
Deferred Revenue	5,707				5,707
Total Liabilities	75,733	2,713	233,464	0	311,910
<i>DEFERRED INFLOWS OF RESOURCES</i>					
Deferred Property Taxes	74,467				74,467
Total Deferred Inflows of Resources	74,467	0	0	0	74,467
<i>Fund Balances:</i>					
Restricted					
Construction			4,186		4,186
Debt Service				38,189	38,189
Municipal Court Reserve				11,355	11,355
Municipal Development		252,225			252,225
Public Safety				96	96
Committed					
General Reserve				93,259	93,259
Park				12,905	12,905
Unassigned	331,639				331,639
Total Fund Balance	331,639	252,225	4,186	155,804	743,854
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$481,839	\$254,938	\$237,650	\$155,804	\$1,130,231

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - Governmental Funds Balance Sheet	\$743,854
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	881,720
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	74,467
GASB 68	
Deferred Outflow-Contributions After 12/31/2020	14,564
Difference in expected and actual experience	(4,870)
Difference in projected and actual earnings on pension plan inv.	(1,388)
Difference in assumption changes	0
GASB 75	
Difference in assumption changes	5,419
Difference in expected and actual experience	1,432
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	45,899
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(172,539)
Net Position of Governmental Activities - Statement of Net Position	<u><u>\$1,588,558</u></u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Municipal Development District Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>					
Taxes					
Property	\$315,267				\$315,267
Sales	190,115	95,828			285,943
Franchise	36,615				36,615
Intergovernmental and Contributions	247,761		227,404	0	475,165
Charges for Services	100				100
Fines and Forfeitures	34,492				34,492
Interest				174	174
Miscellaneous	4,489	4,166			8,655
Total Revenues	828,839	99,994	227,404	174	1,156,411
<i>EXPENDITURES</i>					
Current:					
General Administration	170,605	61,170			231,775
Public Safety	392,185				392,185
Public Transportation	54,952				54,952
Culture and Recreation				0	0
Capital Projects - Capital Outlay and Other			248,574		248,574
Debt Service					
Principal Retirement	4,934	19,000			23,934
Interest Retirement	648	4,276			4,924
Total Expenditures	623,324	84,446	248,574	0	956,344
Excess (Deficiency) of Revenues Over (Under) Expenditures	205,515	15,548	(21,170)	174	200,067
<i>OTHER FINANCING SOURCES (USES):</i>					
Operating Transfers In		0		24,400	24,400
Operating Transfers Out	(18,819)	0		0	(18,819)
Total Other Financing Sources (Uses)	(18,819)	0	0	24,400	5,581
Net Changes in Fund Balances	186,696	15,548	(21,170)	24,574	205,648
Fund Balances - Beginning	144,943	236,677	25,356	131,230	538,206
Fund Balances - Ending	\$331,639	\$252,225	\$4,186	\$155,804	\$743,854

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, 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	\$205,648
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.	(4,162)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,371)
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.	20,382
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	(451)
Difference in expected and actual experience.	362
Difference in projected and actual earnings on pension plan inv.	10,485
Difference in assumption changes. This is the change in these amounts this year.	(192)
GASB 75	
Difference in assumption changes. This is the change in these amounts this year.	2,645
Difference in expected and actual experience.	305
Increase in loan principal are receipts in the funds but not revenue in the SOA.	0
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	23,934
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(1,091)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	24
(Increase) decrease in OPEB liability from beginning of period to end of period.	(6,833)
(Increase) decrease in net pension liability from beginning of period to end of period.	10,450
Change in Net Position of Governmental Activities - Statement of Activities	<u><u>\$259,135</u></u>

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - 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	\$298,500	\$322,849	\$315,267	(\$7,582)
Sales	160,000	200,000	190,115	(9,885)
Franchise	42,000	42,000	36,615	(5,385)
Intergovernmental	35,000	321,475	247,761	(73,714)
Charges for Services	500	100	100	0
Fines and Forfeitures	48,000	35,000	34,492	(508)
Miscellaneous	10,300	7,300	4,489	(2,811)
Total Revenues	594,300	928,724	828,839	(99,885)
<i>EXPENDITURES</i>				
Current:				
General Administration				
Code Compliance	5,650	1,010	1,067	(57)
General Administration	173,736	177,545	169,538	8,007
Public Safety				
Police	379,890	354,050	364,032	(9,982)
Municipal Court	29,424	28,600	28,153	447
Public Transportation				
Streets	5,600	54,900	54,952	(52)
Debt Service				
Principal Retirement			4,934	(4,934)
Interest Retirement			648	(648)
Total Expenditures	594,300	616,105	623,324	(7,219)
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	0	312,619	205,515	(107,104)
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In/Out		(24,108)	(18,819)	5,289
Total Other Financing Sources (Uses)	0	(24,108)	(18,819)	5,289
Net Changes in Fund Balances	0	288,511	186,696	(101,815)
Fund Balances - Beginning	144,943	144,943	144,943	
Fund Balances - Ending	\$144,943	\$433,454	\$331,639	(\$101,815)

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

CITY OF NATALIA, TEXAS
MUNICIPAL DEVELOPMENT DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Sales	\$76,000	\$76,000	\$95,828	\$19,828
Interest				0
Miscellaneous	900	900	4,166	3,266
Total Revenues	<u>76,900</u>	<u>76,900</u>	<u>99,994</u>	<u>23,094</u>
<i>EXPENDITURES</i>				
Current:				
General Administration				
General Administration	72,115	72,115	61,170	10,945
Debt Service				
Principal Retirement	31,000	31,000	19,000	12,000
Interest Retirement	5,000	5,000	4,276	724
Total Expenditures	<u>108,115</u>	<u>108,115</u>	<u>84,446</u>	<u>23,669</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(31,215)</u>	<u>(31,215)</u>	<u>15,548</u>	<u>46,763</u>
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	<u>(31,215)</u>	<u>(31,215)</u>	<u>15,548</u>	<u>46,763</u>
Fund Balances - Beginning	<u>236,677</u>	<u>236,677</u>	<u>236,677</u>	
Fund Balances - Ending	<u>\$205,462</u>	<u>\$205,462</u>	<u>\$252,225</u>	<u>\$46,763</u>

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

CITY OF NATALIA, 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	\$176,068	\$84,489	\$176,068
Accounts Receivables (Net of Allowance for Uncollectibles)	84,426	82,227	84,426
Total Current Assets	260,494	166,716	260,494
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents - Water Meters	93,317	87,810	93,317
Cash and Cash Equivalents - Short Lived Assets	56,703	37,802	56,703
Cash and Cash Equivalents - Utility System Projects			0
Cash and Cash Equivalents - Utility Capital	72,687	86,775	72,687
Total Restricted Assets	222,707	212,387	222,707
Capital Assets			
Land	473,074	473,074	473,074
Construction in Progress		2,086,641	0
Buildings and Improvements	59,918	59,918	59,918
Machinery and Equipment	293,014	211,311	293,014
Distribution System	7,624,946	5,538,306	7,624,946
Total Capital Assets	8,450,952	8,369,250	8,450,952
Less Accumulated Depreciation			
Total Capital Assets (Net of Accumulated Depreciation)	(4,463,004)	(4,231,535)	(4,463,004)
	3,987,948	4,137,715	3,987,948
Total Noncurrent Assets	3,987,948	4,137,715	3,987,948
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow-Contributions After 12/31/2019		12,216	0
Deferred Outflow-Contributions After 12/31/2020	11,420		11,420
Difference in expected and actual experience			0
Difference in projected and actual earnings on investments			0
Difference in assumption changes		157	0
GASB 75			
Difference in assumption changes	4,250	2,257	4,250
Difference in expected and actual experience	1,122	916	1,122
Total Deferred Outflow of Resources	16,792	15,546	16,792
TOTAL ASSETS	\$4,487,941	\$4,532,364	\$4,487,941

(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	\$86,569	\$10,673	\$86,569
Accrued Wages			0
Accrued Interest Payable	2,977	2,977	2,977
Compensated Absences	6,315	7,007	6,315
Capital Leases - Current	21,714	22,554	21,714
Bonds Payable - Current	33,000	33,000	33,000
Total Current Liabilities (Payable from Current Assets)	150,575	76,211	150,575
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	93,317	87,810	93,317
Total Current Liabilities Payable from Restricted Assets	93,317	87,810	93,317
Noncurrent Liabilities			
Net Pension Liability	5,168	13,863	5,168
OPEB Payable	21,499	16,748	21,499
Capital Lease Payable	62,649	23,309	62,649
Bonds Payable	1,790,778	1,823,778	1,790,778
Total Noncurrent Liabilities	1,880,094	1,877,698	1,880,094
Total Liabilities	2,123,986	2,041,719	2,123,986
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	3,818	4,257	3,818
Difference in projected and actual earnings on investments	1,088	9,659	1,088
GASB 75			
Difference in assumption changes			0
Total Deferred Inflow of Resources	4,906	13,916	4,906
Invested in Capital Assets, Net of Related Debt	2,079,807	2,235,074	2,079,807
Restricted for Short Lived Assets - Expendable	56,703	37,802	56,703
Restricted for Utility Capital - Expendable	72,687	86,775	72,687
Unrestricted	149,852	117,078	149,852
Total Net Position	\$2,359,049	\$2,476,729	\$2,359,049

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

CITY OF NATALIA, 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	\$356,180	\$362,543	\$356,180
Charges for Services - Sewer	219,938	215,044	219,938
Charges for Services - Garbage	172,422	163,122	172,422
Charges for Services - General Fees	45,371	56,187	45,371
Charges for Services - Other	32,016	37,444	32,016
Miscellaneous	16,494	8,095	16,494
Total Operating Revenues	842,421	842,435	842,421
OPERATING EXPENSES:			
Personal Services	266,274	294,673	266,274
Supplies	35,578	67,676	35,578
Other Services and Charges	257,689	259,749	257,689
Sanitation Services	140,332	134,844	140,332
Depreciation	218,531	136,548	218,531
Total Operating Expenses	918,404	893,490	918,404
Operating Income (Loss)	(75,983)	(51,055)	(75,983)
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	183	10,823	183
Intergovernmental		332,940	0
Sale of Fixed Assets		0	0
Interest and Fiscal Charges	(36,299)	(35,200)	(36,299)
Total Non-Operating Revenues (Expenses)	(36,116)	308,563	(36,116)
Income Before Contributions and Transfers	(112,099)	257,508	(112,099)
Intergovernmental			0
Transfers In (Out) - Net	(5,581)	31,197	(5,581)
Change in Net Position	(117,680)	288,705	(117,680)
Total Net Position - Beginning	2,476,729	2,188,024	2,476,729
Total Net Position - Ending	\$2,359,049	\$2,476,729	\$2,359,049

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

CITY OF NATALIA, 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	\$845,729	\$827,009	\$845,729
Payments to Suppliers	(357,703)	(476,750)	(357,703)
Payments to Employees	(281,166)	(288,357)	(281,166)
Net Cash Provided (Used) by Operating Activities	206,860	61,902	206,860
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	(5,581)	31,197	(5,581)
Intergovernmental	0	332,940	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(5,581)	364,137	(5,581)
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bonds, Notes and Capital Leases	(55,554)	(75,834)	(55,554)
Proceeds from Capital Debt	61,055	1,377,000	61,055
Sale of Fixed Assets	0	0	0
Interest and Fiscal Charges	(36,299)	(35,200)	(36,299)
Purchases of Capital Assets	(68,765)	(1,666,066)	(68,765)
Net Cash Provided (Used) by Capital and Related Financing Activities	(99,563)	(400,100)	(99,563)
Cash Flows from Investing Activities			
Interest Received	183	10,823	183
Net Cash Provided (Used) by Investment Activities	183	10,823	183
Net Increase (Decrease) in Cash Equivalents	101,899	36,762	101,899
Cash and Cash Equivalents at Beginning of Year	296,876	260,114	296,876
Cash and Cash Equivalents at End of Year	\$398,775	\$296,876	\$398,775
Restricted Cash	\$222,707	\$212,387	\$222,707
Unrestricted Cash	176,068	84,489	176,068
	\$398,775	\$296,876	\$398,775

(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)	(\$75,983)	(\$51,055)	(\$75,983)
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	218,531	136,548	218,531
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(2,199)	(15,179)	(2,199)
Decrease (Increase) in Prepaid Expenses	0	0	0
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	796	(1,172)	796
Decrease (Increase) Difference in expected and actual exp.	(439)	4,695	(439)
Decrease (Increase) Difference in proj. and actual earnings	(8,571)	20,144	(8,571)
Increase (Decrease) Difference in assumption changes	157	(157)	157
GASB 75			
Increase (Decrease) Difference in assumption changes	(1,993)	(2,412)	(1,993)
Decrease (Increase) Difference in expected and actual exp.	(206)	(527)	(206)
Increase (Decrease) in Accounts Payable	75,896	(13,900)	75,896
Increase (Decrease) in Accrued Wages	0	(6,133)	0
Increase (Decrease) in Accrued Interest Payable	0	(581)	0
Increase (Decrease) in Compensated Absences	(692)	265	(692)
Increase (Decrease) in Deferred Revenues	0	0	0
Increase (Decrease) in Consumer Meter Deposits	5,507	(247)	5,507
Increase (Decrease) in Net Pension Liability	(8,695)	(12,951)	(8,695)
Increase (Decrease) in OPEB Payable	4,751	4,564	4,751
Net Cash Provided (Used) by Operating Activities	<u>\$206,860</u>	<u>\$61,902</u>	<u>\$206,860</u>
Noncash Investing, Capital, and Financing Activities:			
Federal Grant Proceeds	\$0	\$332,940	\$0
Bond Proceeds	61,055	1,377,000	61,055
	<u>\$61,055</u>	<u>\$1,709,940</u>	<u>\$61,055</u>

Note: The above funds are all enterprise funds.

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

CITY OF NATALIA, 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 Natalia, 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 Natalia, 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 the means by which 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 municipal development district fund is used to collect monies for Municipal Development.

The grant fund is used to administer block grants.

D. Blended Component Units

The municipal development district fund is governed by a board appointed by the City Council. Although they are legally separate from the City, the municipal development district fund is 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. It is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

E. 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.

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.

F. Assets, liabilities, and net position or equity

1. Deposits and investments

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 interfund 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. Current trade accounts receivable allowance is equal to 1 percent of outstanding utility billings at September 30, 2021, trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding utility billings at September 30, 2021, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding utility billings at September 30, 2021, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding utility billings at September 30, 2021, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding utility billings 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items at September 30, 2021.

4. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by applicable contract covenants.

The restricted assets consist of the following cash items:

	Governmental Activities	Business- type Activities	Total
Restricted for:			
Debt Service	\$38,189	\$0	\$38,189
General Reserve	50		50
Meters		93,317	93,317
Short Lived Assets		56,703	56,703
Utility Capital		72,687	72,687
Total	<u>\$38,239</u>	<u>\$222,707</u>	<u>\$260,946</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 in excess of 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City had no major construction activities 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>Asset</i>	<i>Years</i>
Buildings	50
Building improvements	20
Public demain 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. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order 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 in order to be consistent with the current year's presentation.

9. 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 one item that qualifies for reporting in this category. It is amounts deferred under GASB 68.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" 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.

10. 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. In order 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.

11. 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	
Construction	4,186
Debt Service	38,189
Municipal Court Reserve	11,355
Municipal Development	252,225
Public Safety	96
Committed	
General Reserve	93,259
Park	12,905
Unassigned	331,639
Total Fund Balance	<u>743,854</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. In fiscal year 2013, 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 15 to 25 percent of the subsequent year's budgeted General Fund expenditures.

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, OPEB Payable, and Net Pension Liability, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$172,539 difference are as follows:

Compensated Absences	\$2,187
Interest Payable	159
Bonds Payable	128,000
Capital Lease	8,184
OPEB Payable	27,419
Net Pension Liability	<u>6,590</u>
	<u>\$172,539</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 "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this \$74,467 difference are as follows:

Property Taxes Receivable	\$80,803
Allowance for Doubtful Accounts	<u>(6,336)</u>
Net	<u>\$74,467</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 \$881,720 difference are as follows:

Capital assets not being depreciated	\$434,013
Capital assets being depreciated	1,068,530
Depreciation expense	<u>(620,823)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$881,720</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 "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 \$45,899 difference are as follows:

Fines and Fees Receivable	\$187,591
Allowance for Doubtful Accounts	<u>(141,692)</u>
Net	<u><u>\$45,899</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 (\$4,162) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	42,111
Capital Outlay - Adjustments and Deletions	(8,960)
Depreciation Expense	(37,313)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$4,162)</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The City Secretary/Administrator has been authorized by the council to prepare the budget. 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 City Secretary/Administrator. 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 City Secretary/Administrator 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 (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

B. Excess of expenditures over appropriations

For the year ended September 30, 2021, excess of expenditures over appropriations did not occur in any fund except for the general fund where actual expenditures of \$623,324 exceeded budgeted expenditures of \$616,105 by \$7,219.

C. Deficit fund equity

The City did not have a deficit fund balance 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 City follows the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

The City has a depository contract with its depository bank and has adopted an investment policy. That City does address the following risks:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is not exposed to custodial credit risk because during the year the City was fully covered by either depository insurance and/or collateral held by the government's agent in the government's name. The total amount of cash in the bank at September 30, 2021 is \$1,253,062 while the total pledged securities are \$973,922 and the FDIC insurance coverage is \$281,878. The book balance was \$1,196,497. As of September 30, 2021, the city had no investments.

B. Receivables

Receivables as of year-end for the government's individual 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	\$80,803		\$80,803
Charges for Services		94,769	94,769
Intergovernmental	245,234		245,234
Fines	187,591		187,591
Other	12,808		12,808
Gross receivables	526,436	94,769	621,205
Less: Allowance for uncollectibles	148,028	10,343	158,371
Net total receivables	<u>\$378,408</u>	<u>\$84,426</u>	<u>\$462,834</u>

C. Capital assets

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

	Beginning				Ending
	Balances	Increases	Decreases	Transfers	Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$434,013	\$0	\$0	\$0	\$434,013
Construction in Progress	0	0	0	0	0
Total capital assets not being depreciated	434,013	0	0	0	434,013
Capital assets being depreciated:					
Building and Improvements	660,299	42,111	0	0	702,410
Machinery and Equipment	165,368	0	30,100	(22,398)	112,870
Infrastructure	253,250	0	0	0	253,250
Total capital assets being depreciated	1,078,917	42,111	30,100	(22,398)	1,068,530
Less accumulated depreciation for:					
Building and Improvements	217,390	37,313	0	0	254,703
Machinery and Equipment	156,408	0	30,100	(13,438)	112,870
Infrastructure	253,250	0	0	0	253,250
Total accumulated depreciation	627,048	37,313	30,100	(13,438)	620,823
Total Capital assets being depreciated, net	451,869	4,798	0	(8,960)	447,707
Governmental activities capital assets, net	\$885,882	\$4,798	\$0	(\$8,960)	\$881,720

	Beginning				Ending
	Balances	Increases	Decreases	Transfers	Balances
Business-type activities:					
Capital assets not being depreciated:					
Land	\$473,074				\$473,074
Construction in Progress	2,086,641		2,086,641		0
Total capital assets not being depreciated	2,559,715	0	2,086,641	0	473,074
Capital assets being depreciated:					
Building and Improvements	59,918				59,918
Machinery and Equipment	211,311	59,804	500	22,398	293,013
Distribution System	5,538,306	2,086,641			7,624,947
Total capital assets being depreciated	5,809,535	2,146,445	500	22,398	7,977,878
Less accumulated depreciation for:					
Building and Improvements	17,848	1,152			19,000
Machinery and Equipment	190,280	27,416	500	13,438	230,634
Distribution System	4,023,407	189,963			4,213,370
Total accumulated depreciation	4,231,535	218,531	500	13,438	4,463,004
Total Capital assets being depreciated, net	1,578,000	1,927,914	0	8,960	3,514,874
Business-type activities capital assets, net	\$4,137,715	\$1,927,914	\$2,086,641	\$8,960	\$3,987,948

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

Governmental activities	
General Administration	\$16,050
Public Safety	3,172
Culture and Recreation	<u>18,091</u>
Total depreciation expense - governmental activities	<u><u>\$37,313</u></u>
Business-type activities	
Utility	<u>\$218,531</u>
Total depreciation expense - Business-type activities	<u><u>\$218,531</u></u>

Construction commitments: The City had no major construction activities during the year.

D. Interfund receivables, payables, and transfers

The City had no interfund receivables at September 30, 2021.

The City had the following transfers for the year ended September 30, 2021. The transfers were all non-recurring.

<u>PRIMARY GOVERNMENT</u>		
<i>ACCOUNT</i>	<i>AMOUNT</i>	<i>REASON</i>
<hr/>		
<u>UTILITY FUND</u>		
TRANSFER OUT TO GENERAL FUND	<u>\$5,581</u>	GENERAL OPERATIONS
	<u><u>\$5,581</u></u>	
<u>FUNDS</u>		
<i>ACCOUNT</i>	<i>AMOUNT</i>	<i>REASON</i>
<hr/>		
<u>GENERAL FUND</u>		
TRANSFER TO DEBT SERVICE FUND	<u>\$24,400</u>	GENERAL OPERATIONS
	<u><u>\$24,400</u></u>	

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$2,645 for the year ended September 30, 2021. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	Amount
2022	\$ 1,796
2023	572
2024	0
2025	0
Total	<u>\$ 2,368</u>

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

F. Long-term debt

Tax Notes

The government issues combination tax and revenue certificates of obligation for making permanent public improvements and for other public purposes.

Sales Tax bonds have been issued for governmental activities. The original amount issued was \$200,000; the current balance is \$128,000.

Combination Tax and Revenue bonds have also been issued for business-type activities. The original amount issued was \$350,000; the current balance was \$291,000. These bonds were refunded in 2019 at a new balance of \$363,000; payable through the year 2059. There was no discernable savings from the refunding. The current balance is \$352,000.

The City also issued Series A Certificates for \$964,000 and Series B Certificates for \$584,000. The City had received \$964,000 of the Series A Certificates and \$584,000 of the Series B Certificates as of September 30, 2021. The amortization schedule presented in this report does not take into account a \$49,221.89 repayment back to the USDA for unused bond proceeds; the amortization schedule includes the full \$964,000 received (Note; we were not provided with a revised amortization schedule). The current balances are \$897,778 for Series A Certificates and \$574,000 for Series B Certificates.

The certificates of obligation are secured by the full faith and credit of the government. Bonds outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	3.11%	\$128,000
Business-type activities	1.875%	\$897,778
Business-type activities	1.875%	\$574,000
Business-type activities	1.875%	\$352,000

The municipal district development fund is used to service the sales tax bonds. The utility fund is used to service the Combination Tax and Revenue bonds and the USDA Series A and Series B Certificates.

Annual debt service requirements to maturity for the Sales Tax bonds and the Combination Tax and Revenue bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$20,000	\$3,670	\$33,000	\$35,062
2023	20,000	3,048	36,000	34,434
2024	21,000	2,410	36,000	33,777
2025	22,000	1,742	36,000	33,084
2026	22,000	1,057	37,000	32,409
2027-2031	23,000	358	193,000	151,476
2032-2036	0	0	214,000	132,530
2037-2041	0	0	235,000	111,720
2042-2046	0	0	258,000	88,777
2047-2051	0	0	284,000	63,594
2052-2056	0	0	310,000	36,003
2057-2061	0	0	201,000	7,254
TOTALS	\$128,000	\$12,285	\$1,873,000	\$760,119

Capital Leases

The Capital Leases consists of a truck and backhoe for \$80,000, one tractor for \$61,055, one vehicle for \$22,398, and two vehicles for \$51,736, all for the utility department. The debt is serviced by the General fund and the Utility Fund.

The accumulated depreciation is \$80,000 for the truck and backhoe, \$17,918 for the one vehicle, \$41,389, and \$11,961 for the tractor.

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 security for the capital leases is the equipment financed. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

YEAR	Governmental Activities Amount	Business- type Activities Amount	Business- type Activities Amount	Total Business- type Activities Amount
2022	\$5,059	\$13,444	\$11,686	\$25,130
2023	5,059	13,444	11,686	25,130
2024		13,444		13,444
2025		13,444		13,444
2026		13,444		13,444
Total Minimum Lease Payments	10,118	67,220	23,372	90,592
Less: Amount Representing Interest	1,934	6,165	64	6,229
Present Value of Net Minimum Lease Payments	\$8,184	\$61,055	\$23,308	\$84,363

	<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>						
Capital Lease	\$13,118		\$4,934	\$8,184	\$5,141	\$3,043
Tax Bond Payable	147,000		19,000	128,000	20,000	108,000
Net Pension Liability	17,040	6,590	17,040	6,590	0	6,590
OPEB Payable	20,586	27,419	20,586	27,419	0	27,419
Compensated Absences	1,096	2,187	1,096	2,187	2,187	0
	<u>198,840</u>	<u>36,196</u>	<u>62,656</u>	<u>172,380</u>	<u>27,328</u>	<u>145,052</u>
<u>Business-type activities:</u>						
Compensated Absences	7,007	6,315	7,007	\$6,315	6,315	0
Revenue Bonds	1,856,778		33,000	1,823,778	33,000	1,790,778
Net Pension Liability	13,863	5,168	13,863	5,168	0	5,168
OPEB Payable	16,748	21,499	16,748	21,499	0	21,499
Capital Lease	45,863	61,055	22,555	84,363	21,714	62,649
	<u>1,940,259</u>	<u>94,037</u>	<u>93,173</u>	<u>1,941,123</u>	<u>61,029</u>	<u>1,880,094</u>
Grand Total	<u>\$2,139,099</u>	<u>\$130,233</u>	<u>\$155,829</u>	<u>\$2,113,503</u>	<u>\$88,357</u>	<u>\$2,025,146</u>

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2022 year is \$8,502.

The government-wide statement of activities includes \$88,357 as "noncurrent liabilities, due within one year".

The total amount of interest expensed in 2020-2021 is \$41,199.

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>09/30/21</u>	Year ended <u>09/30/20</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurring 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 in excess of \$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

Ruby Vera, the Natalia MDD Presiding Chair's daughter is Selica Vera, an Alderman.

Mike Fernandez, an Alderman is married to Brenda Fernandez, who is on the Natalia MDD Board.

C. 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. The City was not a defendant at September 30, 2021.

D. Subsequent events

On July 18, 2022, the City approved to purchase two 2022 Chevrolet Tahoes from Caldwell Country/Cap Fleet for \$70,416.50 each with an additional buyboard fee of \$400.00, totaling \$141,233.00

E. 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	3
- Inactive employees entitled to but not yet receiving benefits	16	16
- Active employees	11	12
- Total	<u>31</u>	<u>31</u>
Covered Payroll	\$448,134	\$407,595
Net Pension Liability		
Total Pension Liability	\$416,167	\$393,421
Plan Fiduciary Net Position	<u>404,409</u>	<u>362,518</u>
Net Pension Liability/(Asset)	\$11,758	\$30,903
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.17%	92.15%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	2.62%	7.58%
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	\$30,787
2	Interest on the Total Pension Liability	26,849
3	Changes in Current Period Benefits Including Substantively Automatic Status	0
4	Employee Contributions (Reduction of Expense)	(22,407)
5	Projected Earnings on Plan Investments (Reduction of Expense)	(24,470)
6	Administrative Expense	178
7	Other Changes in Fiduciary Net Position	7
8	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(4,098)
9	Recognition of Current Year Outflow (Inflow) of Resources-Assets	(619)
10	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	(3,470)
11	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	<u>(3,108)</u>
12	Total Pension Expense (Income)	(\$351)

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)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.12	(\$12,786)	(\$4,098)	(\$8,688)
Change in assumptions [actuarial (gains) or losses]	3.12	0	0	0
			<u>(\$4,098)</u>	<u>(\$8,688)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	(\$3,095)	(\$619)	(\$2,476)
			<u>(\$619)</u>	<u>(\$2,476)</u>
Total:				<u>(\$11,164)</u>

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	(\$11,859)
2022	(4,860)
2023	(6,494)
2024	(619)
2025	0
Thereafter	0
Total	<u>(\$23,832)</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 10-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 TMRS-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.

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

1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75%
\$64,909	\$11,758	(\$32,110)

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 Natalia annual annuity increases of 0.00% are assumed when calculating the TPL.

F. 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.

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 Natalia the base table is then multiplied by a factor of 90.0% 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 Natalia the base table is then multiplied by a factor of 90.0% 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	1.72%	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. These rates are adjusted 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 — 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): A weighted average of the actual payroll 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 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(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	3.12	(\$12,786)	(\$4,098)	(\$4,098)	(\$4,098)	(\$492)	\$0	\$0	\$0
2019	2.10	(9,489)	(4,519)	(4,519)	(451)	0	0	0	0
2018	1.98	630	318	312	0	0	0	0	0
2017	1.00	565	565	0	0	0	0	0	0
Total			(\$7,734)	(\$8,305)	(\$4,549)	(\$492)	\$0	\$0	\$0

change in assumptions (inflows)/outflows

2019	2.10	\$349	\$166	\$166	\$17	\$0	\$0	\$0	\$0
Total			\$166	\$166	\$17	\$0	\$0	\$0	\$0

Due to Assets:

excess investment returns (inflows)/outflows

2020	5.00	(\$3,095)	(\$619)	(\$619)	(\$619)	(\$619)	(\$619)	\$0	\$0
2019	4.00	(21,532)	(5,383)	(5,383)	(5,383)	(5,383)	0	0	0
2018	3.00	17,024	5,675	5,675	5,674	0	0	0	0
2017	2.00	(6,787)	(3,394)	(3,393)	0	0	0	0	0
2016	1.00	(6)	(6)	0	0	0	0	0	0
Total			(\$3,727)	(\$3,720)	(\$328)	(\$6,002)	(\$619)	\$0	\$0

F. GASB 75 Information

Actuarial Valuation and Measurement Date, December 31,

	2019	2020
Membership		
Number of		
-Inactive employees currently receiving benefits	3	4
-Inactive employees entitled to but not yet receiving benefits	5	5
-Active employees	12	11
-Total	<u>20</u>	<u>20</u>
Covered Payroll	\$407,595	\$448,134
Changes in the Total OPEB Liability		
Total OPEB Liability - beginning of year	\$26,379	\$37,334
Changes for the year		
Service cost	1,712	1,972
Interest on Total OPEB Liability	1,009	1,052
Changes of benefit term	0	0
Differences between expected and actual experience	1,680	1,248
Changes in assumptions or other inputs	6,636	7,446
Benefit payments	(82)	(134)
Net changes	<u>10,955</u>	<u>11,584</u>
Total OPEB Liability - end of year	\$37,334	\$48,918
Total OPEB Liability as a Percentage of Covered Payroll	9.16%	10.92%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis 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, 2019 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 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	\$61,740	\$48,918	\$39,370

OPEB Expense:	
Service cost	\$1,972
Interest on total OPEB Liability	1,052
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	737
Changes in assumptions or other inputs	2,808
Total OPEB expense	<u>\$6,569</u>

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 0	\$ 2,554
Changes in assumptions and other inputs	0	9,669
Contributions made subsequent to measurement date	None	None
Total (excluding contributions made subsequent to measurement date)	\$ 0	\$ 12,223

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]	4.84	\$1,248	\$258	\$990
Change in assumptions [actuarial (gains) or losses]	4.84	7,446	1,538	5,908
Contributions made subsequent to measurement date		NONE	NONE	NONE
Total (excluding city provided contributions made subsequent to measurement date):				\$6,898

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	\$3,545
2022	\$3,545
2023	\$3,301
2024	\$1,832
2025	\$0
Thereafter	\$0
	\$12,223

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	4.84	\$1,248	\$258	\$258	\$258	\$258	\$216	\$0	\$0
2019	4.24	1,359	321	321	321	321	75	0	0
2018	4.32	684	158	158	158	158	52	0	0
		Total	\$737	\$737	\$737	\$737	\$343	\$0	\$0
change in assumptions (inflows)/outflows									
2020	4.84	\$7,446	\$1,538	\$1,538	\$1,538	\$1,538	\$1,294	\$0	\$0
2019	4.24	5,370	1,266	1,266	1,266	1,266	306	0	0
2018	4.32	(1,519)	(352)	(352)	(352)	(352)	(111)		
2017	3.32	1,180	356	356	356	112	0	0	0
		Total	\$2,808	\$2,808	\$2,808	\$2,564	\$1,489	\$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>0.19%</i>	<i>0.08%</i>
2020	<i>0.26%</i>	<i>0.03%</i>
2019	<i>0.21%</i>	<i>0.02%</i>
2018	<i>0.20%</i>	<i>0.02%</i>
2017	<i>0.18%</i>	<i>0.02%</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:

Total covered payroll * 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 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 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

- For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Natalia the base table is then multiplied by a factor of 90.0% 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 Natalia the base table is then multiplied by a factor of 90.0% 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	1.72%	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 by gender, entry age group, and 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 (SOB) 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 SOB 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.

Glossary of Terms

<i>Actuarial Assumptions</i>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<i>Actuarial Cost Method</i>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<i>Actuarial Gain (Loss)</i>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<i>Actuarial Present Value (APV)</i>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<i>Actuarial Valuation</i>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<i>Actuarially Determined Contribution (ADC)</i>	A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.
<i>Covered Payroll</i>	The payroll of employees that are provided with OPEB.
<i>Deferred Inflows and Outflows</i>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences or changes of assumptions. The portion of these amounts not included in OPEB expense should be included in the deferred inflows or outflows of resources.

Glossary of Terms

<i>Discount Rate</i>	The discount rate is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).
<i>Entry Age Normal Actuarial Cost Method (EAN)</i>	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability.
<i>GASB</i>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Other Postemployment Benefits (OPEB)</i>	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
<i>Real Rate of Return</i>	The rate of return on an investment after adjustment to eliminate inflation.
<i>Service Costs</i>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<i>Total OPEB Liability</i>	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.
<i>Total OPEB Expense</i>	The total OPEB expense is the sum of the following items: <ol style="list-style-type: none">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Administrative Expense5. Recognition of Outflow (Inflow) of Resources due to Liabilities

REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2020	2019	2018
1. Service Cost	\$30,787	\$29,062	\$29,728
2. Interest (on the Total Pension Liability)	26,849	25,614	23,116
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	(12,786)	(14,008)	1,266
5. Changes of assumptions	0	515	0
6. Benefit payments, including refunds of employee contributions	(22,104)	(25,408)	(8,105)
7. Net change in total pension liability	\$22,746	\$15,775	\$46,005
8. Total pension liability - beginning	393,421	377,646	331,641
9. Total pension liability - ending	\$416,167	\$393,421	\$377,646

B. Plan fiduciary net position

1. Contributions - employer	\$14,209	\$12,762	\$12,545
2. Contributions - employee	22,407	20,380	20,906
3. Net investment income	27,565	47,665	(8,734)
4. Benefit payments, including refunds of employee contributions	(22,104)	(25,408)	(8,105)
5. Administrative Expense	(178)	(269)	(168)
6. Other	(7)	(8)	(9)
7. Net change in plan fiduciary net position	\$41,892	\$55,122	\$16,435
8. Plan fiduciary net position - beginning	362,518	307,396	290,962
9. Plan fiduciary net position - ending	\$404,410	\$362,518	\$307,397

C. Net pension liability (A.9 - B.9)

\$11,758	\$30,903	\$70,250
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D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)

97.17%	92.15%	81.40%
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E. Covered-employee payroll (B.9 / A.9)

\$448,134	\$407,595	\$418,120
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F. Net pension liability as a percentage
of covered employee payroll (C/E)

2.62%	7.58%	16.80%
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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	18 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	2018	2019	2020
1. Service Cost	\$1,965	\$1,712	\$1,972
2. Interest on Total OPEB Liability	854	1,009	1,052
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	1,000	1,680	1,248
5. Changes in assumptions or other inputs	(2,223)	6,636	7,446
6. Benefit payments	(84)	(82)	(134)
7. Net changes	1,512	10,955	11,584
Total OPEB Liability - beginning of year	\$24,867	26,379	37,334
Total OPEB Liability - end of year	\$26,379	\$37,334	\$48,918
E. Covered-employee payroll (B.9 / A.9)	\$418,120	\$407,595	\$448,134
F. Total OPEB Liability as a Percentage of Covered Payroll	6.31%	9.16%	10.92%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

	SPECIAL REVENUE				DEBT SERVICE	Total
	General Reserve	Municipal Court Reserve	NPD Impound Fund	Park Fund	Debt Service Fund	
ASSETS						
Cash and Cash Equivalents	\$93,259	\$11,355	\$96	\$12,905		\$117,615
Restricted Assets:						
Cash and Cash Equivalents					38,189	38,189
Total Assets	\$93,259	\$11,355	\$96	\$12,905	\$38,189	\$155,804
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable						\$0
Total Liabilities	0	0			0	0
Fund Balances						
Restricted						
Debt Service					38,189	38,189
Municipal Court Reserve		11,355				11,355
Public Safety			96			96
Committed						
General Reserve	93,259					93,259
Park				12,905		12,905
Total Fund Balances	93,259	11,355	96	12,905	38,189	155,804
TOTAL LIABILITIES AND FUND BALANCES	\$93,259	\$11,355	\$96	\$12,905	\$38,189	\$155,804

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

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

	SPECIAL REVENUE				DEBT SERVICE	Total
	General Reserve	Municipal Court Reserve	NPD Impound Fund	Park Fund	Debt Service Fund	
<i>REVENUES</i>						
Intergovernmental						\$0
Interest	157	17				174
Total Revenues	157	17	0	0	0	174
<i>EXPENDITURES</i>						
Current:						
Culture and Recreation						0
Total Expenditures	0	0	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	157	17	0	0	0	174
<i>OTHER FINANCING SOURCES (USES):</i>						
Operating Transfers In					24,400	24,400
Operating Transfers Out						0
Total Other Financing Sources (Uses)	0	0	0	0	24,400	24,400
Net Changes in Fund Balances	157	17	0	0	24,400	24,574
Fund Balances - Beginning	93,102	11,338	96	12,905	13,789	131,230
Fund Balances - Ending	\$93,259	\$11,355	\$96	\$12,905	\$38,189	\$155,804

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