

CITY OF FLATONIA, TEXAS

FINANCIAL STATEMENTS

For the Year Ended September 30, 2021



**CITY OF FLATONIA, TEXAS
FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

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FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

**CITY OF FLATONIA, TEXAS
LIST OF PRINCIPAL OFFICIALS
September 30, 2021**

Mayor	Bryan Milson
Mayor Pro-tem	Catherine Steinhauser
Councilpersons	Donna Cockrell Mark Eversole Dennis Geesaman Ginny Needham-Sears
City Manager	Sarah Novo
Utility Director	Jack Pavlas
City Secretary	Heather Ambrose
Utility Billing Clerk	Herminia Dale
Chief of Police	Lee Dick
Municipal Court Judge	Kathy Mladenka
Municipal Court Clerk	Herminia Dale
City Attorney	Angela Beck
Tax Assessor/Collector	Fayette County Appraisal District

FINANCIAL SECTION

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA*
STEPHANIE S. KOCH, CPA

*CERTIFIED VALUATION ANALYST

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

*CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Flatonia, 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 Flatonia, 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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
Electric Fund	Qualified
Water Fund	Qualified
Wastewater Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions

We were not able to obtain sufficient appropriate audit evidence in order to substantiate accounts payable balances found in the General Fund, the Electric Fund, the Water Fund and the Wastewater Fund and as such, we are not able to determine if these balances are presented fairly, in all material respects, at September 30, 2021. This impacts the Accounts payable line found on Balance Sheet, Governmental Funds, General Fund, the Accounts payable – trade line found on the Statement of Net Position, Proprietary Funds, Electric Fund, Water Fund, and Wastewater Fund, and the Accounts payable – trade line found on the Statement of Net Position, Governmental Activities and Business-type Activities. The amount of the departure has not been determined.

An imbalance in the interfund transfers between the General Fund and Water Fund in the amount of \$21,264 was identified during the course of the audit. We were not able to obtain sufficient appropriate audit evidence as to the cause of this or to determine how the imbalance should be corrected for the related interfund transfer accounts to be fairly stated in all material respects at September 30, 2021. This impacts the Transfers (Net) line in the Statement of Activities for both the Governmental and Business Type activities, the Transfers In and Transfers Out lines in the Statements of Revenues Expenditures, and Changes in Fund Balances Governmental Funds for the General Fund, and the Transfers In and Transfers Out lines in the Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds for the Water Fund. The net effect of the departure has not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Flatonia, Texas, as of September 30, 2021, and the changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the City of Flatonia, Texas, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Texas Municipal Retirement System Schedules, and Texas Emergency Services Retirement System Schedules on pages 5 through 9 and 53 through 62 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 Flatonia, Texas's basic financial statements. The combining nonmajor fund financial statements, and combining blended component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and combining blended component unit financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Goldman, Hunt & Notz, L.L.P.

April 9, 2024

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

This discussion and analysis is intended to be an easily readable analysis of City of Flatonia, Texas's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of basic financial statements, notes to the financial statements, required supplementary information, and other information. The basic financial statements are highly condensed and present a government-wide view of the City's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own columns. Statements for the City's proprietary fund follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The discussion and analysis of City of Flatonia, Texas's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of City of Flatonia, Texas exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2021 by \$8,610,745 (net position). Of this amount, a balance of \$132,579 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2021, the City's governmental funds reported combined ending fund balances of \$196,595.
- At September 30, 2021, unassigned fund balance for the General Fund was (\$82,781) deficit or negative 3.75% of total General Fund expenditures.
- The total cost of all City activities was \$6,053,997 for the fiscal year.
- During the year, the City's revenues exceeded expenses of the governmental activities by \$120,457 and revenues exceeded expenses of the business-type activities by \$294,544.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Government-wide Overall Financial Analysis

**City of Flatonia, Texas
Components of Net Position
September 30, 2021
With Comparative Totals for September 30, 2020
(in thousands)**

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	2021	2020	2021	2020	2021	2020		
Cash and other assets	\$ 610	\$ 354	\$ 1,270	\$ 1,126	\$ 1,880	\$ 1,480	\$ 400	27.0%
Capital assets, net	4,063	4,165	4,417	4,372	8,480	8,537	(57)	-0.7%
Total assets	<u>4,673</u>	<u>4,519</u>	<u>5,687</u>	<u>5,498</u>	<u>10,360</u>	<u>10,017</u>	<u>343</u>	<u>3.4%</u>
Deferred outflows of resources	<u>278</u>	<u>78</u>	<u>193</u>	<u>54</u>	<u>471</u>	<u>132</u>	<u>339</u>	<u>256.8%</u>
Total deferred outflows of resources	<u>278</u>	<u>78</u>	<u>193</u>	<u>54</u>	<u>471</u>	<u>132</u>	<u>339</u>	<u>256.8%</u>
Total assets and deferred outflows of resources	<u>4,951</u>	<u>4,597</u>	<u>5,880</u>	<u>5,552</u>	<u>10,831</u>	<u>10,149</u>	<u>682</u>	<u>6.7%</u>
Current and other liabilities	482	215	438	445	920	660	260	39.4%
Long term liabilities	387	734	258	376	645	1,110	(465)	-41.9%
Total liabilities	<u>869</u>	<u>949</u>	<u>696</u>	<u>821</u>	<u>1,565</u>	<u>1,770</u>	<u>(205)</u>	<u>-11.6%</u>
Deferred inflows of resources	<u>427</u>	<u>113</u>	<u>229</u>	<u>70</u>	<u>656</u>	<u>183</u>	<u>473</u>	<u>258.5%</u>
Total deferred inflows of resources	<u>427</u>	<u>113</u>	<u>229</u>	<u>70</u>	<u>656</u>	<u>183</u>	<u>473</u>	<u>258.5%</u>
Net position:								
Net investment in capital assets	3,837	3,832	4,215	4,122	8,052	7,954	98	1.2%
Restricted	271	344	155	59	426	403	23	5.7%
Unrestricted	(453)	(641)	585	480	132	(161)	293	-182.0%
Total net position	<u>\$ 3,655</u>	<u>\$ 3,535</u>	<u>\$ 4,955</u>	<u>\$ 4,661</u>	<u>\$ 8,610</u>	<u>\$ 8,196</u>	<u>\$ 414</u>	<u>5.1%</u>

During the year ended September 30, 2021, the net position increased approximately \$414,000. Cash and other assets increased by \$400,000, net capital assets decreased by \$57,000, and deferred outflows of resources related to pension system and other post-employment benefits increased by \$339,000. Current and other liabilities increased by \$260,000, long term liabilities decreased by \$465,000, and the deferred inflows of resources related to pension system increased by \$473,000.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Government-wide Overall Financial Analysis (Continued)

**City of Flatonia, Texas
Condensed Statement of Activities
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(in thousands)**

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	2021	2020	2021	2020	2021	2020		
Revenues:								
Program revenues								
Charges for services	\$ 481	\$ 483	\$ 3,695	\$ 3,542	\$ 4,176	\$ 4,025	\$ 151	3.8%
Grants and contributions	270	178	204	165	474	343	131	38.2%
General revenues								
Taxes	1,628	1,242	-	-	1,628	1,242	386	31.1%
Interest	-	5	-	-	-	5	(5)	-100.0%
Royalty income	10	37	-	-	10	37	(27)	-73.0%
Other income	161	167	15	9	176	176	-	0.0%
Total revenues	2,550	2,112	3,914	3,716	6,464	5,828	636	10.9%
Expenses:								
General government	467	628	-	-	467	628	(161)	-25.6%
Public safety	1,043	1,069	-	-	1,043	1,069	(26)	-2.4%
Streets	298	253	-	-	298	253	45	17.8%
Sanitation	359	340	-	-	359	340	19	5.6%
Tourism	92	93	-	-	92	93	(1)	-1.1%
Electric	-	-	2,955	2,372	2,955	2,372	583	24.6%
Water	-	-	433	473	433	473	(40)	-8.5%
Wastewater	-	-	408	228	408	228	180	78.9%
Interest and fees	12	16	3	4	15	20	(5)	-25.0%
(Gain) loss on disposal of asset	1	21	-	-	1	21	(20)	-95.2%
Total expenses	2,272	2,420	3,799	3,077	6,071	5,497	574	10.4%
Excess (deficiency) before transfers								
	278	(308)	115	639	393	331	62	18.7%
Transfers	(158)	301	179	(301)	21	-	21	100.0%
Change in net position	120	(7)	294	338	414	331	83	25.1%
Beginning net position	3,535	3,542	4,661	4,323	8,196	7,865	331	4.2%
Ending net position	\$ 3,655	\$ 3,535	\$ 4,955	\$ 4,661	\$ 8,610	\$ 8,196	\$ 414	5.1%

Total revenues increased by \$636,000 mostly due to increases in tax and grant revenue. Expenses increased by \$574,000 mostly due to increases in electric and wastewater costs.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Budgetary Highlights

The City did not revise its budget for the General Fund during the fiscal year. General Fund actual revenues were greater than budgeted revenues by \$393,734. Actual General Fund expenditures were \$49,625 greater than budgeted and actual net transfers in exceeded the amount budgeted by \$274,395.

Capital Assets

At year-end, the City had approximately \$8,480,000 invested in capital assets, net of depreciation, including land, construction in progress, buildings and improvements, vehicles, machinery, equipment, roads, and electric, water, and wastewater distribution systems. This amount represents a net decrease (additions, deletions, and depreciation) of approximately \$57,000 or negative 0.7% from the prior year.

**City of Flatonia, Texas
Capital Assets
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(in thousands)**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2021	2020	2021	2020	2021	2020		
Land	\$ 564	\$ 433	\$ 12	\$ 12	\$ 576	\$ 445	\$ 131	29.4%
Construction in progress	5	5	22	223	27	228	(201)	-88.2%
Buildings and improvements	2,896	2,896	541	429	3,437	3,325	112	3.4%
Vehicles, machinery, and equipment	922	928	866	866	1,788	1,794	(6)	-0.3%
Road and bridge	2,988	2,932	-	-	2,988	2,932	56	1.9%
Utility distribution systems:								
Electric	-	-	1,539	1,539	1,539	1,539	-	0.0%
Wastewater	-	-	1,782	1,629	1,782	1,629	153	9.4%
Water	-	-	2,662	2,472	2,662	2,472	190	7.7%
Subtotal	7,375	7,194	7,424	7,170	14,799	14,364	435	3.0%
Accumulated depreciation	(3,312)	(3,029)	(3,007)	(2,798)	(6,319)	(5,827)	(492)	8.4%
Total capital assets, net	<u>\$ 4,063</u>	<u>\$ 4,165</u>	<u>\$ 4,417</u>	<u>\$ 4,372</u>	<u>\$ 8,480</u>	<u>\$ 8,537</u>	<u>\$ (57)</u>	-0.7%

Additional information on the City's capital assets can be found in the notes to the financial statements.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Long-term Liabilities

At year-end the City had approximately \$784,000 of long-term liabilities. There were no new borrowings, net pension liability decreased \$340,000, other post-employment benefits (OPEB) liability increased \$13,000 and \$156,000 was paid on existing debt.

**City of Flatonia, Texas
Long-term Liabilities
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(in thousands)**

	<u>Governmental</u>		<u>Business-type</u>		<u>Totals</u>		<u>Amount</u>	<u>%</u>
	<u>Activities</u>		<u>Activities</u>					
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
Bonds	\$ 75	\$ 111	\$ 155	\$ 185	\$ 230	\$ 296	\$ (66)	-22.3%
Loans	151	222	47	66	198	288	(90)	-31.3%
Net pension liability	206	471	74	149	280	620	(340)	-54.8%
OPEB liability	45	37	31	26	76	63	13	20.6%
Total long-term liabilities	<u>\$ 477</u>	<u>\$ 841</u>	<u>\$ 307</u>	<u>\$ 426</u>	<u>\$ 784</u>	<u>\$ 1,267</u>	<u>\$ (483)</u>	-38.1%

More detailed information is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's property tax rate for 2021/2022 is \$.3150 per \$100 in valuation. The total certified taxable value is \$103,946,063 and the certified tax levy is \$327,421.

In the General Fund, the City has budgeted \$1,872,123 in revenues and \$2,090,155 in expenditures.

The City will continue to look very closely at the services it provides and what changes can be made to best serve the community and also stay within the City's financial resources.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Secretary at P.O. Box 329, Flatonia, Texas 78941.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FLATONIA, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 236,234	\$ 396,513	\$ 632,747
Accounts receivable	58,737	424,564	483,301
Taxes receivable	75,068	-	75,068
Other receivables	1,117	-	1,117
Due from other government	1,126	-	1,126
Interfund balances	-	84,100	84,100
Prepaid	8,405	11,473	19,878
Inventory	-	73,176	73,176
Restricted assets:			
Restricted cash and cash equivalents	228,980	279,626	508,606
Capital assets, net of accumulated depreciation	4,062,850	4,417,304	8,480,154
Total assets	<u>4,672,517</u>	<u>5,686,756</u>	<u>10,359,273</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	264,428	183,753	448,181
Deferred amounts related to other post employment benefits	13,822	9,603	23,425
Total deferred outflows of resources	<u>278,250</u>	<u>193,356</u>	<u>471,606</u>
 Total assets and deferred outflows of resources	 <u>\$ 4,950,767</u>	 <u>\$ 5,880,112</u>	 <u>\$ 10,830,879</u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable - trade	\$ 275,754	\$ 126,494	\$ 402,248
Other accrued expenses	31,867	57,056	88,923
Interfund balances	84,100	72,553	156,653
Utility rebate	-	5,346	5,346
Unearned revenue	-	1,748	1,748
Customer deposits	-	124,932	124,932
Notes payable - due within one year	52,268	19,604	71,872
Bonds payable - due within one year	37,000	30,000	67,000
Noncurrent liabilities:			
Net pension liability	206,030	74,010	280,040
Other post employment benefits liability	44,822	31,148	75,970
Notes payable - due in more than one year	98,409	27,372	125,781
Bonds payable - due in more than one year	38,000	125,000	163,000
Total liabilities	<u>868,250</u>	<u>695,263</u>	<u>1,563,513</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	421,087	225,026	646,113
Deferred amounts related to other post employment benefits	6,200	4,308	10,508
Total deferred inflows of resources	<u>427,287</u>	<u>229,334</u>	<u>656,621</u>
NET POSITION			
Net investment in capital assets	3,837,173	4,215,328	8,052,501
Restricted for:			
Building security	13,569	-	13,569
Economic development	119,870	-	119,870
Capital projects	-	146,443	146,443
Debt service	-	8,251	8,251
Judicial fee	1,174	-	1,174
Municipal court	16,390	-	16,390
Tourism	118,369	-	118,369
Police department donations	1,599	-	1,599
Unrestricted (deficit)	(452,914)	585,493	132,579
Total net position	<u>\$ 3,655,230</u>	<u>\$ 4,955,515</u>	<u>\$ 8,610,745</u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
Primary Government						
Governmental activities:						
General government	\$ 466,988	\$ -	\$ 243,775	\$ -	\$ (223,213)	\$ (223,213)
Public safety	1,042,727	13,915	25,524	-	(1,003,288)	(1,003,288)
Streets	298,114	-	-	-	(298,114)	(298,114)
Sanitation	358,657	467,161	-	-	108,504	108,504
Hotel/motel	92,316	-	-	-	(92,316)	(92,316)
Police department donations	65	-	-	-	(65)	(65)
Total governmental activities	<u>2,258,867</u>	<u>481,076</u>	<u>269,299</u>	-	<u>(1,508,492)</u>	<u>(1,508,492)</u>
Business-type activities:						
Electric	2,954,365	2,980,810	-	-	-	26,445
Water	432,988	450,317	-	112,987	-	130,316
Wastewater	407,777	263,655	-	90,128	-	(53,994)
Total business-type activities	<u>3,795,130</u>	<u>3,694,782</u>	-	<u>203,115</u>	-	<u>102,767</u>
Total primary government	<u>\$ 6,053,997</u>	<u>\$ 4,175,858</u>	<u>\$ 269,299</u>	<u>\$ 203,115</u>	<u>(1,508,492)</u>	<u>(1,405,725)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes					359,106	359,106
Franchise taxes					768,597	768,597
Sales taxes					394,339	394,339
Hotel/motel					102,014	102,014
Mixed beverage taxes					3,893	3,893
Interest income					354	398
Interest expense					(12,292)	(14,553)
Administrative fee					-	(400)
Donations					11,617	11,617
Royalty income					9,636	9,636
Other income					150,758	165,861
Gain / (loss) on disposal of asset					(1,046)	(1,046)
Transfers (net)					(158,027)	21,264
Total general revenues and transfers					<u>1,628,949</u>	<u>1,820,726</u>
Change in net position					<u>120,457</u>	<u>415,001</u>
Net position - beginning					<u>3,534,773</u>	<u>8,195,744</u>
Net position - ending					<u>\$ 3,655,230</u>	<u>\$ 8,610,745</u>

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

FUND FINANCIAL STATEMENTS

**CITY OF FLATONIA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 236,234	\$ -	\$ 236,234
Restricted cash and investments	101,917	127,063	228,980
Receivables (net):			
Sales taxes	27,472	-	27,472
Mixed beverage taxes	323	-	323
Sanitation services	58,737	-	58,737
Franchise taxes	1,884	-	1,884
Ad valorem taxes	21,351	-	21,351
Occupancy taxes	-	24,038	24,038
Other	1,117	-	1,117
Due from other government	1,126	-	1,126
Prepaid expenditures	8,405	-	8,405
Total assets	<u>\$ 458,566</u>	<u>\$ 151,101</u>	<u>\$ 609,667</u>
LIABILITIES			
Accounts payable	\$ 275,754	\$ -	\$ 275,754
Other accrued expenses	31,867	-	31,867
Interfund payables	84,100	-	84,100
Total liabilities	<u>391,721</u>	<u>-</u>	<u>391,721</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable taxes	21,351	-	21,351
Total deferred inflows of resources	<u>21,351</u>	<u>-</u>	<u>21,351</u>
FUND BALANCES			
Nonspendable	8,405	-	8,405
Restricted	119,870	151,101	270,971
Unassigned	(82,781)	-	(82,781)
Total fund balances	<u>45,494</u>	<u>151,101</u>	<u>196,595</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 458,566</u>	 <u>\$ 151,101</u>	 <u>\$ 609,667</u>

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

**CITY OF FLATONIA, TEXAS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the Year Ended September 30, 2021**

Amounts reported for governmental activities in the Statement of Net Position (pages 10-11) are different because:

Total fund balances - governmental funds (page 13)	\$ 196,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,062,850
Deferred outflows of resources related to pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	264,428
Deferred outflows of resources related to other post employment benefits expense are not due and payable in the current period and, therefore, are not reported in the funds.	13,822
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities are comprised of the following:	
Net pension liability	(206,030)
Other post employment benefits liability	(44,822)
Notes payable - due within one year	(52,268)
Notes payable - due in more than one year	(98,409)
Bonds payable - due within one year	(37,000)
Bonds payable - due in more than one year	(38,000)
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	21,351
Deferred inflows of resources related to pension expense are not due and collectible in the current period and, therefore, are not reported in the funds.	(421,087)
Deferred inflows of resources related to other post employment benefits expense are not due and collectible in the current period and, therefore, are not reported in the funds.	<u>(6,200)</u>
Net position of governmental activities	<u><u>\$ 3,655,230</u></u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem tax	\$ 357,036	\$ -	\$ 357,036
Sales tax	394,339	-	394,339
Occupancy tax	-	102,014	102,014
Franchise tax	768,597	-	768,597
Mixed beverage tax	3,893	-	3,893
Licenses, fees, and permits	15,979	-	15,979
Fines	13,688	227	13,915
Sanitation services	467,161	-	467,161
Interest income	354	-	354
Rental income	12,515	-	12,515
Restricted donations	-	2,490	2,490
Fire department donations	9,127	-	9,127
Grant income	269,299	-	269,299
Royalty income	9,636	-	9,636
Resource officer reimbursement	34,897	-	34,897
Miscellaneous	87,367	-	87,367
Total revenues	<u>2,443,888</u>	<u>104,731</u>	<u>2,548,619</u>
EXPENDITURES			
Current:			
General government	408,466	-	408,466
Public safety	1,065,652	-	1,065,652
Streets, bridges and parks	178,092	-	178,092
Sanitation contractor	358,657	-	358,657
Tourism	-	92,316	92,316
Police department donations	-	65	65
Debt service			
Principal	-	107,800	107,800
Interest	-	12,292	12,292
Capital outlay	196,961	-	196,961
Total expenditures	<u>2,207,828</u>	<u>212,473</u>	<u>2,420,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>236,060</u>	<u>(107,742)</u>	<u>128,318</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	273,174	120,092	393,266
Transfers out	<u>(547,569)</u>	<u>(3,724)</u>	<u>(551,293)</u>
Total other financing sources (uses)	<u>(274,395)</u>	<u>116,368</u>	<u>(158,027)</u>
Net change in fund balances	(38,335)	8,626	(29,709)
Fund balances - beginning	<u>83,829</u>	<u>142,475</u>	<u>226,304</u>
Fund balances - ending	<u>\$ 45,494</u>	<u>\$ 151,101</u>	<u>\$ 196,595</u>

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

CITY OF FLATONIA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Amounts reported for governmental activities in the Statement of Activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ (29,709)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	196,961
Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(298,544)
Loss on disposal of capital assets.	(1,046)
Principal payments on long-term liabilities are recorded as expenditures in the governmental funds, but they serve to reduce long-term liabilities in the government-wide financial statements.	107,800
Some property taxes will not be collected for several months after the City's fiscal year end, and are not considered "available" revenues in the governmental funds.	2,070
Expenditures are recognized in the governmental funds when paid are due for items not normally paid with available financial resources. However, the Statement of Activities is presented on an accrual basis and expenses reported when incurred.	<u>142,925</u>
Change in net position of governmental activities	<u><u>\$ 120,457</u></u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 236,899	\$ 159,614	\$ -	\$ 396,513
Restricted assets:				
Cash and cash equivalents	104,722	166,653	8,251	279,626
Accounts receivable - trade (net)	339,207	54,549	30,808	424,564
Interfund receivables	-	-	84,100	84,100
Prepaid - other	9,432	607	1,434	11,473
Inventory	73,176	-	-	73,176
Total current assets	<u>763,436</u>	<u>381,423</u>	<u>124,593</u>	<u>1,269,452</u>
Noncurrent assets:				
Capital assets:				
Land	2,875	6,034	2,875	11,784
Construction in progress	6,687	-	-	6,687
Utility plant and distribution system	1,536,449	2,662,213	1,775,758	5,974,420
Buildings and improvements	152,046	194,233	194,482	540,761
Vehicles, machinery and equipment	612,975	252,855	24,927	890,757
Less: accumulated depreciation	<u>(1,520,087)</u>	<u>(747,719)</u>	<u>(739,299)</u>	<u>(3,007,105)</u>
Total capital assets (net of accumulated depreciation)	<u>790,945</u>	<u>2,367,616</u>	<u>1,258,743</u>	<u>4,417,304</u>
Total noncurrent assets	<u>790,945</u>	<u>2,367,616</u>	<u>1,258,743</u>	<u>4,417,304</u>
Total assets	<u>1,554,381</u>	<u>2,749,039</u>	<u>1,383,336</u>	<u>5,686,756</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	112,046	71,707	-	183,753
Deferred amounts related to other post employment benefits	<u>5,856</u>	<u>3,747</u>	<u>-</u>	<u>9,603</u>
Total deferred outflows of resources	<u>117,902</u>	<u>75,454</u>	<u>-</u>	<u>193,356</u>
Total assets and deferred outflows of resources	<u>\$ 1,672,283</u>	<u>\$ 2,824,493</u>	<u>\$ 1,383,336</u>	<u>\$ 5,880,112</u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
September 30, 2021

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
LIABILITIES				
Current liabilities:				
Accounts payable - trade	\$ 78,407	\$ 34,927	\$ 13,160	\$ 126,494
Accounts payable - other	14,141	1,564	-	15,705
Payroll and sales taxes payable	31,096	10,255	-	41,351
Bank overdraft	-	-	72,553	72,553
Unearned revenue	1,748	-	-	1,748
Utility rebate	5,346	-	-	5,346
Customer deposits	104,722	20,210	-	124,932
Note payable - current portion	-	19,604	-	19,604
Bonds payable - current portion	-	30,000	-	30,000
Total current liabilities	<u>235,460</u>	<u>116,560</u>	<u>85,713</u>	<u>437,733</u>
Noncurrent liabilities:				
Net pension liability	45,128	28,882	-	74,010
Other post employment benefits liability	18,993	12,155	-	31,148
Note payable	-	27,372	-	27,372
Bonds payable	-	125,000	-	125,000
Total noncurrent liabilities	<u>64,121</u>	<u>193,409</u>	<u>-</u>	<u>257,530</u>
Total liabilities	<u>299,581</u>	<u>309,969</u>	<u>85,713</u>	<u>695,263</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	137,211	87,815	-	225,026
Deferred amounts related to other post employment benefits	2,628	1,680	-	4,308
Total deferred inflows of resources	<u>139,839</u>	<u>89,495</u>	<u>-</u>	<u>229,334</u>
NET POSITION				
Net investment in capital assets	790,945	2,165,640	1,258,743	4,215,328
Restricted for debt service	-	-	8,251	8,251
Restricted for capital projects	-	146,443	-	146,443
Unrestricted (deficit)	441,918	112,946	30,629	585,493
Total net position	<u>\$ 1,232,863</u>	<u>\$ 2,425,029</u>	<u>\$ 1,297,623</u>	<u>\$ 4,955,515</u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-type Activities - Proprietary Funds			Totals
	Electric	Water	Wastewater	
Operating revenues:				
Charges for services	\$ 2,980,810	\$ 450,317	\$ 263,655	\$ 3,694,782
Total operating revenues	<u>2,980,810</u>	<u>450,317</u>	<u>263,655</u>	<u>3,694,782</u>
Operating expenses:				
Utilities purchased	1,829,573	-	-	1,829,573
Franchise fee	500,000	-	260,000	760,000
Personnel services	376,787	231,119	-	607,906
Maintenance and operating	184,431	117,505	85,210	387,146
Depreciation	62,516	84,364	62,274	209,154
Bad debt	1,058	-	293	1,351
Total operating expenses	<u>2,954,365</u>	<u>432,988</u>	<u>407,777</u>	<u>3,795,130</u>
Operating income (loss)	<u>26,445</u>	<u>17,329</u>	<u>(144,122)</u>	<u>(100,348)</u>
Non operating revenues (expenses):				
Interest income	-	26	18	44
Interest expense	-	(2,261)	-	(2,261)
Transfers in	-	512,648	196,204	708,852
Transfers out	-	(257,619)	(271,942)	(529,561)
Bond administration fee	-	-	(400)	(400)
Grant income	-	112,987	90,128	203,115
Other income (expense)	13,457	1,504	142	15,103
Total non operating revenues (expenses)	<u>13,457</u>	<u>367,285</u>	<u>14,150</u>	<u>394,892</u>
Change in net position	39,902	384,614	(129,972)	294,544
Total net position - beginning	<u>1,192,961</u>	<u>2,040,415</u>	<u>1,427,595</u>	<u>4,660,971</u>
Total net position - ending	<u>\$ 1,232,863</u>	<u>\$ 2,425,029</u>	<u>\$ 1,297,623</u>	<u>\$ 4,955,515</u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,952,926	\$ 535,566	\$ 264,292	\$ 3,752,784
Payments to suppliers	(2,101,436)	(139,443)	(788)	(2,241,667)
Payments to employees	(406,903)	(250,391)	-	(657,294)
Franchise fee	(500,000)	-	(260,000)	(760,000)
Net cash provided by (used for) operating activities	<u>(55,413)</u>	<u>145,732</u>	<u>3,504</u>	<u>93,823</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	512,648	196,204	708,852
Transfers to other funds	-	(257,619)	(271,942)	(529,561)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>255,029</u>	<u>(75,738)</u>	<u>179,291</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from other income	13,457	1,504	143	15,104
Proceeds from grant income	-	112,987	90,128	203,115
Purchases of capital assets	-	(179,998)	(74,092)	(254,090)
Interest and fees paid on capital debt	-	(2,261)	(400)	(2,661)
Principal paid on capital debt	-	(48,846)	-	(48,846)
Net cash provided by (used for) capital and related financing activities	<u>13,457</u>	<u>(116,614)</u>	<u>15,779</u>	<u>(87,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	26	18	44
Net cash provided by (used for) investing activities	<u>-</u>	<u>26</u>	<u>18</u>	<u>44</u>
Net increase (decrease) in cash and cash equivalents	(41,956)	284,173	(56,437)	185,780
Cash and cash equivalents at beginning of the year	<u>383,577</u>	<u>42,094</u>	<u>64,688</u>	<u>490,359</u>
Cash and cash equivalents at end of the year	<u><u>\$ 341,621</u></u>	<u><u>\$ 326,267</u></u>	<u><u>\$ 8,251</u></u>	<u><u>\$ 676,139</u></u>

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

CITY OF FLATONIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
For the Year Ended September 30, 2021

	Business-type Activities - Proprietary Funds			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 26,445	\$ 17,329	\$ (144,122)	\$ (100,348)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	62,516	84,364	62,274	209,154
(Increase) decrease in accounts receivable - trade (net)	(37,994)	12,999	931	(24,064)
(Increase) decrease in accounts receivable - grants	-	70,935	-	70,935
(Increase) decrease in prepaid items	4,603	-	-	4,603
(Increase) decrease in inventory	(9,352)	-	-	(9,352)
(Increase) decrease in pension related deferred outflows	(81,426)	(52,110)	-	(133,536)
(Increase) decrease in OPEB related deferred outflows	(3,701)	(2,367)	-	(6,068)
Increase (decrease) in accounts payable	53,573	38,210	11,903	103,686
Increase (decrease) in grants payable	-	(70,435)	-	(70,435)
Increase (decrease) in other liabilities	(131,653)	10,287	72,518	(48,848)
Increase (decrease) in customer deposits	6,565	1,315	-	7,880
Increase (decrease) in net pension liability	(45,474)	(29,103)	-	(74,577)
Increase (decrease) in net OPEB liability	3,300	2,111	-	5,411
Increase (decrease) in pension related deferred inflows	95,288	60,984	-	156,272
Increase (decrease) in OPEB related deferred inflows	1,897	1,213	-	3,110
Total adjustments	<u>(81,858)</u>	<u>128,403</u>	<u>147,626</u>	<u>194,171</u>
Net cash provided by (used for) operating activities	<u>\$ (55,413)</u>	<u>\$ 145,732</u>	<u>\$ 3,504</u>	<u>\$ 93,823</u>
RECONCILIATION OF TOTAL CASH				
Cash	\$ 236,899	\$ 159,614	\$ -	\$ 396,513
Restricted cash	104,722	166,653	8,251	279,626
Total cash	<u>\$ 341,621</u>	<u>\$ 326,267</u>	<u>\$ 8,251</u>	<u>\$ 676,139</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Flatonia, Texas (the City) is incorporated as a Type A general law municipality, governed by City Council with an elected mayor and five Council members. The City adopted the City Manager plan of governance, under which the Council sets policy that determines the scope and functions of city government. The City Manager is responsible for directing the workforce and programs of the City in accordance with ordinances, rules and regulations adopted by the Council. The City provides the following services: general government, public safety, maintenance of roads, bridges, and parks, health and sanitation, and electric, water, and wastewater utility services.

Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of 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.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). In addition, the City applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

A. Government-Wide 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. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of 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. 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 are made to interfund activities, payables and receivables. All internal balances in the Statement of Net Position are 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.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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. 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 Sheet. (Deferred inflows of resources are considered 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 tax, sales tax, franchise tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The following are the City's governmental funds:

General Fund: The General Fund is the government's primary operating fund of the City. All financial resources of general government, except those required to be accounted for in another fund, are accounted for in the General Fund.

Flatonia Economic Development Corporation: The Corporation is a non-profit organization organized for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. It is specifically governed by Chapters 501 and 505 of the Texas Local Government Code. The Corporation promotes economic development in the City of Flatonia, Texas. It is considered a blended component unit and is consolidated with the General Fund for financial reporting purposes. The combining statements for the General Fund and the Economic Development Corporation are presented in Other Information.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The combining statements for the Special Revenue Funds are presented in Other Information.

C. Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Proprietary Fund Financial Statements (concluded)

The Proprietary Fund is 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 Net Position presents 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 cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating 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 City reports the following major proprietary funds:

Electric Fund: The Electric Fund accounts for the activities of the City's electric power distribution system.

Water Fund: The Water Fund accounts for the activities of the City's water distribution and treatment system.

Wastewater Fund: The Wastewater Fund accounts for the activities of the City's sewage disposal and treatment system.

D. Budget

The City Council follows these procedures in establishing the City budgets:

1. Thirty to sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which comments concerning the budget are heard.
3. The budget is legally enacted by the City Council prior to the beginning of the fiscal year.
4. The City Manager is authorized to transfer budgeted amounts between the departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

The budget was not amended during this fiscal year.

E. Inventory

The Electric Fund inventory is valued at actual cost. Material and supplies, which constitute the bulk of the inventory, are charged to expense when acquired. Inventory on hand at the balance sheet date is appropriately adjusted and recorded as a current asset in the Electric Fund.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Vacation and Sick Leave

The City allows full-time employees to accrue vacation leave according to the number of years of employment they have, with the maximum amount of leave being four weeks after providing twenty years of service. Vacation leave is accrued according to the anniversary date of an employee's hiring. If an employee does not or cannot take all earned vacation leave by his hiring anniversary, he may carry over as much as may be accrued in one year; any excess is forfeited. Upon separation in good standing, an employee shall be paid for all accrued vacation leave that has been neither used nor forfeited. During the fiscal year ended September 30, 2021, the City recorded a total liability for accrued vacation of \$39,360.

The City allows full-time employees to accrue sick leave. Unused sick leave is not paid upon separation, and therefore no liability is recorded.

G. Classification of Fund Balances

In accordance with *Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Tax

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Fayette County Appraisal District bills and collects taxes for the City as per year-to-year contracts with the City. Property taxes not collected within 60 days are deemed not to be material to the financial statements, so no allowance for doubtful accounts has been established.

During the year ended September 30, 2021, the City levied an ad valorem tax for maintenance and operations at a rate of 0.3150 per \$100 of assessed value. A total tax levy of \$353,788 resulted, based on a net taxable valuation of \$112,313,801 for the 2020 tax year.

I. 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are related to the deferred future pension expense related to the net pension liability (asset) and the deferred future OPEB expense related to the total OPEB obligation. Deferred future pension expense results from the difference in projected and actual experience on pension plan investments, difference in expected and actual experience, the difference in actuarial assumption changes, and pension contributions remitted after the measurement date. Deferred future OPEB expense results from the difference in actuarial assumption changes. All differences are based on actuarial gains or losses. These amounts are deferred and amortized over their respective remaining recognition period.

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 has two types that qualify for reporting in this category. One is related to the deferred future net pension income related to the net pension liability and the other is related to unearned revenue. Deferred future net pension income results from the difference in investment returns. The second type arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

J. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Land	Not depreciated
Public domain infrastructure	30 – 50 years
Utility system infrastructure	30 – 50 years
Buildings	30 – 40 years
Vehicles	7 – 10 years
Equipment	5 – 10 years

K. Excess of Expenditures over Revenues in Individual Funds

An excess of expenditures over revenues occurred in the following Governmental fund in the year ended September 30, 2021:

	<u>Amount</u>
Debt Service Fund	\$ 120,092

L. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with maturity dates of twelve months or less to be cash equivalents.

M. Restricted Assets

Certain resources of the City have been set aside in the Governmental and Business-type activities for utility deposits, debt service requirements, and other external imposed requirements. These resources are classified as restricted on the Statement of Net Position because their use is limited by applicable restrictions.

N. Pensions

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency's Services Retirement System (TESRS) additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair values.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 2: CASH

City monies are deposited in demand accounts at the City's depository. The City utilizes a pooled cash strategy with each fund's cash balance summarized by fund type and included in the combined Statement of Net Position as cash and investments. Overdrafts, which result from a fund overdrawing its share of pooled cash, are reported as interfund payables by the overdrawn fund and as interfund receivables of either the General or another fund within a similar purpose. At September 30, 2021, the City's pooled cash balance was not overdrawn.

Custodial Credit Risk - Deposits

At September 30, 2021, the carrying amount of the City's deposits was \$566,661, all of which was on deposit at Prosperity Bank in Flatonia, Texas in the City's name. Of the Prosperity bank balance, \$182,456 was in excess of Federal Depository Insurance amounts. The City's Prosperity deposits were fully collateralized during the entire year by pledged municipal securities having a fair market value of \$615,977 at the balance sheet date. The balance of the City's deposits totaling \$366,198 was invested with TexPool (see Note 3).

Texas Government Code authorizes City of Flatonia, Texas to invest in the following eligible securities:

1. A surety bond;
2. An investment security;
3. An ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;
4. A fixed-rate collateralized mortgage obligation that has an expected weighted average life of ten years or less and does not constitute a high-risk mortgage security;
5. A floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security;
6. A letter of credit issued by a federal home loan bank.

Investment securities are defined as:

1. An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
2. A general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues;
3. A security in which a public entity may invest under Subchapter A, Chapter 2256 of Texas Statutes.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3: INVESTMENTS

In 1986 the Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust company called the Texas Treasury Safekeeping Trust Company (Texas Trust). The Texas Trust has direct access to the services of the Federal Reserve Bank and performs other trust company activities. It is specifically authorized to manage, disburse, transfer, safekeep, and invest public funds and securities.

The Texas Trust created the Texas Local Government Investment Pool Prime (TexPool Prime) as a public funds investment pool. Eligible participants include, but may not be limited to, incorporated cities, counties, villages, certain types of water districts, school districts, junior college districts, community college districts, and certain other special districts in the State of Texas. TexPool Prime began operations on December 6, 1989. On September 1, 1996, the operations of the State Treasury, including the Texas Trust and TexPool Prime, were merged with the State Comptroller of Public Accounts (State Comptroller).

The administrative and investment services to TexPool Prime are provided by Federated Investors, Inc. (Federated) under an agreement with Texas Trust effective April 8, 2002. The current contract was executed on March 29, 2019, effective through December 31, 2024.

Federated is the investment manager, and State Street Bank and Trust is the custodian for TexPool Prime. As administrator for the TexPool Prime program, Federated provides participant services and marketing functions to TexPool Prime participants, while DST Asset Manager Solutions, Inc. provides the transfer agent function. Federated is the participant contact point for account maintenance, assistance with transactions and other administrative information.

Credit Risk

The TexPool Prime portfolio is designed and managed to ensure that they maintain an AAAM rating (or the equivalent) by a nationally recognized statistical rating organization (NRSRO). As of August 31, 2021, TexPool Prime's investments in United States government securities, commercial paper and the underlying securities of the majority of Repurchase Agreements were A-1 by Standard and Poor's, P-1 by Moody's and F-1 by Fitch ratings. Money market mutual funds were rated at least A-1 by Standard and Poor's and A by Moody's as of August 31, 2021.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3: INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the investment in a single issuer. Up to 100.0% of TexPool assets may be invested in government obligations of the United States, its agencies or instrumentalities. However, no more than 60.0% of the portfolio may be invested in variable rate notes. Up to 100.0% of TexPool assets may be invested in direct repurchase agreements. The term of a reverse repurchase agreements may not exceed 90 days after the date of delivery. Up to 75% of TexPool Prime assets may be invested in commercial paper. No more than 25% of TexPool Prime assets may be invested in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry. No more than 5% of TexPool Prime assets at the time of purchase may be invested in a single corporate entity. Up to 15% of the TexPool Prime assets may be invested in money market mutual funds that do not seek to maintain a stable net asset value per share. However, TexPool Prime may not acquire shares of a money market mutual fund that represent more than 10% of and outstanding shares of that fund at the time of purchase. As of August 31, 2021, no investments in a single entity exceeded the 5.00% policy limit.

Interest Rate Risk

The weighted average maturity of the TexPool Prime portfolio is limited to 60 days calculated using the reset date for variable rate notes (VRNs) and 90 days or fewer using the final maturity date for VRNs, with the maximum maturity for any individual security in the portfolio not exceeding 397 days for fixed rate securities and 24 months for VRNs. The following schedule reflects TexPool Prime's weighted average maturity by investment type and as a whole:

<u>Investments</u>	<u>Weighted Average Maturity (Days)</u>
Securities purchased under agreement to resell	1
Comercial paper	79
Money market mutual funds	1
United States treasury securities	25
TexPool Prime's weighted average maturity	54

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, TexPool Prime would not be able to recover the loss of its investments or collateral securities that are in possession of an outside entity. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Texas Trust and are held by the counterparty, its trust or agent but not in the name of the Texas Trust. At September 30, 2021, the carrying amount of the City's account was \$366,198. An investment in TexPool Prime is not exposed to custodial credit risk as they are insured or registered or the securities are held by the Texas Trust or its agent in the Texas Trust's name.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 3: INVESTMENTS (Concluded)

PUBLIC FUNDS INVESTMENT ACT

According to the Public Funds Investment Act, the City can invest its funds in the following types of accounts:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. Other obligations, for which the principal and interest are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or its agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
6. Bonds issued, assigned or guaranteed by the State of Israel;
7. Certificates of deposit issued by the state and national banks domiciled in Texas, a savings bank domiciled in the State of Texas or a state or federal credit union domiciled in the State of Texas that are:
 - a. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
 - b. secured by obligations of paragraph 1 - 4 above, which are intended to include all direct federal agency or instrumentality issued mortgage-backed securities that have a market value of not less than the principal amount of certificates, but excluding mortgage-backed securities described by Section 2256.009(b) of the Texas Public Funds Investment Act; and
 - c. secured in any other manner and amount provided by law for deposits of the investing entity.
8. Fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by item 1 above, pledged with a third party selected or approved by TexPool, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; and
9. Such other investments as may be authorized by the Texas Public Funds Investment Act, Chapter 2256 of Government Code.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 4: CHANGES IN CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in the general fixed asset account group for the fiscal year:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 433,026	\$ 131,075	\$ -	\$ 564,101
Construction in progress	5,200	-	-	5,200
Total capital assets not being depreciated	<u>438,226</u>	<u>131,075</u>	<u>-</u>	<u>569,301</u>
Capital assets, being depreciated:				
Buildings and improvements	2,895,857	-	-	2,895,857
Vehicles, machinery, and equipment	927,758	11,070	16,454	922,374
Road and bridge	2,932,602	54,817	-	2,987,419
Total capital assets, being depreciated	<u>6,756,217</u>	<u>65,887</u>	<u>16,454</u>	<u>6,805,650</u>
Less accumulated depreciation for:				
Buildings and improvements	1,451,819	118,522	-	1,570,341
Vehicles, machinery, and equipment	589,052	98,931	15,408	672,575
Road and bridge	988,094	81,091	-	1,069,185
Total accumulated depreciation	<u>3,028,965</u>	<u>298,544</u>	<u>15,408</u>	<u>3,312,101</u>
Total capital assets, being depreciated, net	<u>3,727,252</u>	<u>(232,657)</u>	<u>1,046</u>	<u>3,493,549</u>
Governmental activities capital assets, net	<u>\$ 4,165,478</u>	<u>\$ (101,582)</u>	<u>\$ 1,046</u>	<u>\$ 4,062,850</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,784	\$ -	\$ -	\$ 11,784
Construction in progress	222,680	15,738	215,993	22,425
Total capital assets, not being depreciated	<u>234,464</u>	<u>15,738</u>	<u>215,993</u>	<u>34,209</u>
Capital assets, being depreciated:				
Buildings and improvements	428,705	112,057	-	540,762
Vehicles, machinery, and equipment	866,240	-	-	866,240
Utility plant and distribution system				
Electric	1,538,679	-	-	1,538,679
Wastewater	1,630,610	151,881	-	1,782,491
Water	2,471,625	190,402	-	2,662,027
Total capital assets, being depreciated	<u>6,935,859</u>	<u>454,340</u>	<u>-</u>	<u>7,390,199</u>
Less accumulated depreciation for:				
Buildings and improvements	106,112	35,136	-	141,248
Vehicles, machinery, and equipment	636,270	35,634	-	671,904
Utility plant and distribution system				
Electric	919,363	34,695	-	954,058
Wastewater	620,355	46,039	-	666,394
Water	515,854	57,649	-	573,503
Total accumulated depreciation	<u>2,797,954</u>	<u>209,153</u>	<u>-</u>	<u>3,007,107</u>
Total capital assets, being depreciated, net	<u>4,137,905</u>	<u>245,187</u>	<u>-</u>	<u>4,383,092</u>
Business-type activities capital assets, net	<u>\$ 4,372,369</u>	<u>\$ 260,925</u>	<u>\$ 215,993</u>	<u>\$ 4,417,301</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 4: CHANGES IN FIXED ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	Amount
Governmental activities:	
General government	\$ 71,344
Public safety	103,466
Streets, bridges and parks	123,734
Total depreciation expense - governmental activities	\$ 298,544
Business-type activities:	
Electric	\$ 62,516
Water	84,364
Wastewater	62,274
Total depreciation expense - business-type activities	\$ 209,154

NOTE 5: LONG-TERM LIABILITIES

A summary of all long-term liabilities is presented below.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government-type activities:					
Series 2013 certificates of obligation	\$ 111,000	\$ -	\$ 36,000	\$ 75,000	\$ 37,000
Government Capital Corporation - 2014	21,599	-	21,599	-	-
Government Capital Corporation - 2017	118,376	-	37,929	80,447	39,439
Government Capital Corporation - 2018	82,503	-	12,273	70,230	12,829
Net pension liability	471,184	-	265,154	206,030	-
Other post employment benefits liability	37,036	7,786	-	44,822	-
Total government-type activities	841,698	7,786	372,955	476,529	89,268
Business-type activities:					
Note payable	65,822	-	18,846	46,976	19,604
Series 2006 certificates of obligation	185,000	-	30,000	155,000	30,000
Net pension liability	148,587	-	74,577	74,010	-
Other post employment benefits liability	25,737	5,411	-	31,148	-
Total business-type activities	425,146	5,411	123,423	307,134	49,604
Total long-term liabilities	\$ 1,266,844	\$ 13,197	\$ 496,378	\$ 783,663	\$ 138,872

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 5: LONG-TERM LIABILITIES (Continued)

The governmental activities interest expense consists of \$12,292 paid by the Debt Service Fund for retirement of certificates of obligation debt and general note debt.

The business-type activities interest expense consists of \$2,661 paid by the Water and Wastewater Funds for retirement of certificates of obligation debt and general note debt.

\$660,000 "City of Flatonia, Texas Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2006" dated July 15, 2006

On June 13, 2006, the City of Flatonia authorized the issuance of \$660,000, Series 2006, Combination Tax and Subordinate Lien Revenue Certificates of Obligation. Principal payments ranging from \$30,000 to \$35,000 are due annually on September 1, 2007 and continue until September 1, 2026. The interest rate is fixed at zero.

The City issued the Certificates of Obligation for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, including (1) constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's utility system, (2) the purchase of land, rights of way, materials, supplies, and equipment for authorized needs and purposes relating to the utility system improvements, and (3) the payment of professional services related to the construction and financing of the aforementioned projects.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City and are further payable from and secured by a subordinate and inferior lien on and pledge of the net revenues derived from the operation of the City's combined utility system. At this time the City does not levy an ad valorem tax to service this debt.

As of September 30, 2021, the City was not in compliance with the covenants of the bond ordinance.

\$340,000 "City of Flatonia, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013" dated October 15, 2013

On August 27, 2013 the City of Flatonia authorized the issuance of \$340,000, Series 2013, Combination Tax and Limited Pledge Revenue Certificates of Obligation. The interest rate is fixed at 2.75% and is payable on February 15 and August 15 of each year, commencing on February 15, 2014 and continuing while any of the certificates remain outstanding. Principal payments ranging in amount from \$28,000 to \$38,000 are due annually on August 15, commencing on August 15, 2014 and continuing until August 15, 2023. Certificates may be redeemed prior to their stated maturities, at the option of the City.

The City issued the certificates for the purpose of making permanent public improvements to wit: designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving a new public safety facility, and the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned facility, and the payment of professional services related to the design, construction, project management, and financing of the aforementioned facility. The certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City and from a lien on and pledge of certain revenues derived by the City from the operation of the City's utility system. At this time, the City does not levy an ad valorem tax to service this debt.

As of September 30, 2021, the City was not in compliance with the covenants of the bond ordinance.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 5: LONG-TERM LIABILITIES (Continued)

\$135,078 Government Capital Corporation – 2014 Loan

On February 18, 2014 the City of Flatonia authorized the establishment of a financing agreement with Government Capital Corporation in the amount of \$135,078. The interest rate is fixed at 3.98%. Interest and principal payments are due on March 15 of each year, commencing on March 15, 2015 and continuing until the final payment is made on March 15, 2021.

The purpose of the financing agreement was to purchase tangible personal property for the Police, Fire and Utility Departments.

\$189,264 Government Capital Corporation – 2017 Loan

On August 8, 2017 the City of Flatonia authorized the establishment of a financing agreement with Government Capital Corporation in the amount of \$189,264. The interest rate is fixed at 3.98%. Interest and principal payments are due on October 15 of each year, commencing on October 15, 2018 and continuing until the final payment is made on October 15, 2022.

The purpose of the financing agreement was to purchase four 2017 Ford Explorers and related necessary equipment packages for the Police Department.

\$112,963 John Deere Financial Loan

On February 22, 2018 the City of Flatonia authorized the establishment of a financing agreement with John Deere Financial in the amount of \$112,963. The interest rate is fixed at 3.95%. Interest and principal payments are due on the 22nd of each month, commencing on February 22, 2018 and continuing until the final payment is made on January 22, 2024.

The purpose of the financing agreement was to purchase a John Deere 524K Loader for the Water Department.

\$94,231 Government Capital Corporation – 2018 Loan

On October 9, 2018, the City of Flatonia authorized the establishment of a financing agreement with Government Capital Corporation in the amount of \$94,231. The interest rate is fixed at 4.531%. Interest and principal payments are due on October 31 of each year, commencing on October 31, 2019 and continuing until the final payment is made on October 15, 2025.

The purpose of the financing agreement was to purchase two 2018 Chevrolet Tahoes and related necessary equipment packages for the Police Department.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 5: LONG-TERM LIABILITIES (Continued)

\$280,040 Net Pension Liability

The unfunded pension liability repayment schedule is not known as of the date of this report.

\$75,970 Total Other Post-Employment Benefits Liability

The unfunded pension liability repayment schedule is not known as of the date of this report.

Annual Debt Requirements

Annual requirements to retire Series 2006 Certificates of Obligation are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 30,000	-	\$ 30,000
2023	30,000	-	30,000
2024	30,000	-	30,000
2025	30,000	-	30,000
2026	35,000	-	35,000
Total	<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>

Annual requirements to retire Series 2013 Revenue Certificates of Obligation are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 37,000	\$ 2,063	\$ 39,063
2023	38,000	1,045	39,045
Total	<u>\$ 75,000</u>	<u>\$ 3,108</u>	<u>\$ 78,108</u>

Annual requirements to retire Government Capital Corporation – 2017 loan are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 39,439	\$ 3,202	\$ 42,641
2023	41,008	1,632	42,640
Total	<u>\$ 80,447</u>	<u>\$ 4,834</u>	<u>\$ 85,281</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 5: LONG-TERM LIABILITIES (Concluded)

Annual requirements to retire John Deere Financial loan are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2022	\$ 19,604	\$ 1,504	\$ 21,108
2023	20,393	714	21,107
2024	6,979	57	7,036
Total	<u>\$ 46,976</u>	<u>\$ 2,275</u>	<u>\$ 49,251</u>

Annual requirements to retire Government Capital Corporation – 2018 loan are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2022	\$ 12,829	\$ 3,182	\$ 16,011
2023	13,411	2,601	16,012
2024	14,018	1,993	16,011
2025	14,654	1,358	16,012
2026	15,318	694	16,012
Total	<u>\$ 70,230</u>	<u>\$ 9,828</u>	<u>\$ 80,058</u>

Annual debt service requirements to maturity for all long-term debt, exclusive of net pension liability and other post-employment benefits liability, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2022	\$ 138,872	\$ 9,951	\$ 148,823
2023	142,812	5,992	148,804
2024	50,997	2,050	53,047
2025	44,654	1,358	46,012
2026	50,318	694	51,012
Total	<u>\$ 427,653</u>	<u>\$ 20,045</u>	<u>\$ 447,698</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 6: PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM

A. Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at www.tmr.com.

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

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

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

Plan provisions for the City were as follows:

	Plan Year 2020
Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20
Updated Service Credit	Auto Readoption – 100%
Annuity Increase (to retirees)	Auto Readoption – 70%

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	11
Active employees	19
Total	43

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 6: PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employees gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year 2021. The contribution rates for the City were 15.94% and 15.77% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$164,071.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021**

NOTE 6: PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

D. Net Pension Liability (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Asset/Liability.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021**

NOTE 6: PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

D. Net Pension Liability (Concluded)

	Increase (Decrease)		
	Total	Plan Fiduciary	Net Pension
	Pension Liability (a)	Net Position (b)	Liability(Asset) (a) - (b)
Balance at 12/31/2019	<u>\$ 5,399,247</u>	<u>\$ 5,036,839</u>	<u>\$ 362,408</u>
Changes for the year:			
Service cost	176,181	-	176,181
Interest	362,922	-	362,922
Change in benefit terms	-	-	-
Difference between expected and actual experience	(111,159)	-	(111,159)
Changes in assumptions	-	-	-
Contributions - employer	-	159,636	(159,636)
Contributions - employee	-	70,112	(70,112)
Net investment income	-	382,661	(382,661)
Benefit payments, including refunds of employee contributions	(221,439)	(221,439)	-
Administrative expense	-	(2,474)	2,474
Other changes	-	(97)	97
Net changes	<u>206,505</u>	<u>388,399</u>	<u>(181,894)</u>
Balance at 12/31/2020	<u>\$ 5,605,752</u>	<u>\$ 5,425,238</u>	<u>\$ 180,514</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability(asset)	\$968,527	\$180,514	\$(465,480)

Pension Plan Fiduciary Net Position

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

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021**

NOTE 6: PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (Concluded)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense (income) of \$(126,448).

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$143,325
Changes in actuarial assumptions	-	9,030
Difference between projected and actual investment earnings	-	73,896
Contributions subsequent to the measurement date December 31, 2020	125,591	-
Total	\$125,591	\$226,251

\$125,591 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2021	\$ (76,921)
2022	(26,160)
2023	(111,137)
2024	(12,033)
2025	-
Thereafter	-
Total	\$(226,251)

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021**

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The City also participates in the TMRS administered defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

B. Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	2
Active employees	19
Total	30

C. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal year ended September 30, 2021 were \$2,370, which equaled the required contributions each year.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021**

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

D. Total OPEB Liability

The City's total OPEB liability of \$75,970 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Salary increases were based on a graduated service-based scale. Mortality rates for service retirees were based on 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 100.0%. For disabled retirees, 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 3.0% minimum mortality rate is 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. Pre-retirement mortality rates are based on 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.

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

CITY OF FLATONIA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

E. Changes in the Total OPEB Liability

	Increase (Decrease)
Balance at 12/31/2019	\$ 62,773
Changes for the year:	
Service cost	2,804
Interest on total OPEB liability	1,758
Change in benefit terms	-
Difference between expected and actual experience	(528)
Changes in assumptions or other inputs	9,664
Benefit payments	(501)
Administrative expense	-
Other changes	-
Net changes	13,197
Balance at 12/31/2020	\$ 75,970

Changes of assumptions and other inputs reflect a change in the discount rate from 2.75 percent as of December 31, 2019 to 2.00 percent as of December 31, 2020.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$92,013	\$75,970	\$63,493

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021**

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Concluded)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$5,280.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$2,605
Changes in assumptions and other inputs	13,611	-
Contributions made subsequent to measurement date	1,911	-
Total	\$15,522	\$2,605

\$1,444 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will not be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2021	\$ 2,387
2022	1,766
2023	2,478
2024	2,299
2025	1,412
Thereafter	664
Total	\$11,006

NOTE 8: PENSION PLAN – TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

A. Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the TESRS and established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 8: PENSION PLAN – TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (Continued)

B. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

C. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by Board rule, and there is no maximum contribution rate. For the fiscal year ending September 30, 2021, total contributions of \$48,400 were paid into TESRS by the City. The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year. The State appropriated \$1,329,224 for the fiscal year ending August 31, 2021 to the plan as a whole.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of August 31, 2021, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

At August 31, 2021, the City's proportionate amount and share of the net pension liability, as a nonemployer contributing entity, were \$99,258 and 0.929%. The proportionate amount and share were based on the City's proportion of the contributions received by the plan relative to the contributions for all participants in the plan. The State's proportionate amount of the net pension liability was \$28,372 calculated using the City's proportionate share of contributions multiplied by the State's share of the collective NPL.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN – TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (Concluded)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension income of \$71,846.

At August 31, 2021, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 3,937
Net difference between projected and actual investment earnings	-	93,199
Changes in assumptions	-	136
Contributions subsequent to the measurement date August 31, 2021	-	-
Total	\$ -	\$97,272

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date are not material, therefore, will not be recognized as a reduction of the net pension liability for the year ending September 30, 2021. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Net deferred outflows (inflows) of resources
2022	\$(26,289)
2023	(16,190)
2024	(30,550)
2025	(24,243)
Total	\$(97,272)

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 9: FUND BALANCES

Governmental fund balances at September 30, 2021 are as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Prepaid expenditures	\$ 8,405	\$ -	\$ 8,405
Restricted:			
Economic development	119,870	-	119,870
Police department donations	-	1,599	1,599
Building security	-	13,569	13,569
Judicial fee	-	1,174	1,174
Municipal court	-	16,390	16,390
Tourism	-	118,369	118,369
Unassigned	<u>(82,781)</u>	<u>-</u>	<u>(82,781)</u>
Total fund balances	<u>\$ 45,494</u>	<u>\$ 151,101</u>	<u>\$ 196,595</u>

NOTE 10: INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. Interfund transfers for the year ended September 30, 2021 are as follows:

	<u>General Fund</u>	<u>Other Govern- mental Funds</u>	<u>Electric</u>	<u>Water</u>	<u>Waste- water</u>	<u>Total</u>
Transfers in	\$ 273,174	\$ 120,092	\$ -	\$ 512,648	\$ 196,204	\$ 1,102,118
Transfers out	<u>(547,569)</u>	<u>(3,724)</u>	<u>-</u>	<u>(257,619)</u>	<u>(271,942)</u>	<u>(1,080,854)</u>
Net	<u>\$ (274,395)</u>	<u>\$ 116,368</u>	<u>\$ -</u>	<u>\$ 255,029</u>	<u>\$ (75,738)</u>	<u>\$ 21,264</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 10: INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES (Concluded)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other fund." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Position. Interfund balances for the year ended September 30, 2021 are as follows:

	General Fund	Other Govern- mental Funds	Electric	Water	Waste- water	Total
Interfund receivables	\$ -	\$ -	\$ -	\$ -	\$ 84,100	\$ 84,100
Interfund payables	(84,100)	-	-	-	-	(84,100)
Net	<u>\$ (84,100)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,100</u>	<u>\$ -</u>

NOTE 11: OPERATING LEASE

The City has an operating lease with Xerox Corporation for two copy machines that ends on September 30, 2023. The amount of lease payments expended during the fiscal year ended September 30, 2021 was \$4,446. Future lease payments are scheduled as follows:

Year Ended September 30,	Amount
2022	\$ 4,446
2023	4,446
Total future operating lease payments	<u>\$ 8,892</u>

NOTE 12: 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. During the year ended September 30, 2021, the City purchased commercial insurance to cover general risks of loss. There were no significant reductions in coverage in the past fiscal year.

NOTE 13: SUBSEQUENT EVENTS

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through April 9, 2024, the date the financial statements were available to be issued.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 14: GRANTS

On June 5, 2018, the City entered into a \$173,830 Hazard Mitigation Grant Program (Project No. DR-4272-0002) with the U.S. Department of Homeland Security Federal Emergency Management Agency, passed through the Texas Department of Public Safety, Texas Division of Emergency Management. This grant will provide for the purchase and installation of an automatic start 3-phase diesel, 200kw emergency generator for use by the City of Flatonia, Texas water treatment plant. The installation will include a fuel tank. The generator will be installed next to an existing pump structure in the middle of the water plant site on a concrete slab to mitigate the possible loss of power at the water treatment plant. As of September 30, 2020, the project was not completed and the City has expended \$112,057 for the project (\$29,108 in fiscal year ended 2019 and \$82,949 in fiscal year ended 2020). No material activity was noted on this project during the fiscal year ended 2021. This project is not considered to be complete.

During the fiscal year ended September 30, 2020, the City entered into a \$83,105 Coronavirus Emergency Supplemental Funding Program grant with the U.S. Department of Justice, passed through the Texas Division of Emergency Management. The purpose of this grant was to help cover the cost of supplies and services associated with addressing the impact of the COVID-19 pandemic in the City. During the fiscal year ended September 30, 2020, the City received \$16,621 associated with this grant program. During the fiscal year ended September 30, 2021, the City received the remaining \$66,484 associated with this grant. This program is considered to be complete.

During the fiscal year ended September 30, 2021, the City of Flatonia was awarded funds of \$354,582 through the 2021 Coronavirus Local Fiscal Recovery Fund (CLFRF) administered by Texas Division of Emergency Management (TDEM). Funds associated with this grant will be issued in two tranches of \$177,291 during the fiscal year ended September 30, 2021 and \$177,291 in the fiscal year ended September 30, 2022. Funds associated with this grant are to be used to respond to the public health emergency with respect to COVID by addressing the economic impacts in the community, providing pay support to essential workers during the pandemic, for the provision of government services to the extent of the reduction of revenue caused by the pandemic, and to help make necessary investments in water, sewer, or broadband infrastructure. The City received the first tranche of \$177,291 during the fiscal year ended September 30, 2021. This project is not considered to be complete.

During the fiscal year ended September 30, 2020, the City entered into a \$315,000 Texas Community Development Block Grant (Contract No. 7219150) with the U.S. Department of Housing and Urban Development, passed through the Texas Department of Agriculture. The purpose of this grant is to improve City-wide water pressure, flow, and fire protection by looping the water system and ensuring that a wastewater line is relocated in the process to comply with the Texas Commission on Environmental Quality standards. During the fiscal year ended September 30, 2020, the City expended \$103,935 associated with this grant, and expended an additional \$238,348 during the fiscal year ended September 30, 2021. This program is considered to be complete.

During the fiscal year ended September 30, 2021, the City received grant funding from state and federal sources in the amount of \$23,497 to help cover training expenses, purchase supplies and provide support in addressing the impact of the COVID-19 pandemic in the region.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 15: COMMITMENTS

The City was involved with several construction contracts during the fiscal year for improvements to the City's water and wastewater systems and the construction of a water treatment plant emergency generator. As of September 30, 2021, the City had outstanding construction contracts totaling \$61,773 that will be financed from operating funds and federal grant funds.

	<u>Commitments</u>
Water Fund - Water Treatment Plant Emergency Generator Grant Project No. DR-4272-0002	<u>\$ 61,773</u>
Total commitments	<u><u>\$ 61,773</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLATONIA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2021

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Ad valorem tax	\$ 364,788	\$ 357,036	\$ (7,752)
Sales tax	340,020	394,339	54,319
Franchise tax	769,000	768,597	(403)
Other taxes	2,800	3,893	1,093
Licenses and permits	33,600	15,979	(17,621)
Fines	20,000	13,688	(6,312)
Sanitation services	420,000	467,161	47,161
Interest income	4,500	354	(4,146)
Rental income	13,505	12,515	(990)
Restricted donations	9,000	-	(9,000)
Fire Department donations	-	9,127	9,127
Grant income	-	269,299	269,299
Royalty income	8,000	9,636	1,636
Resource officer reimbursement	34,841	34,897	56
Miscellaneous	30,100	87,367	57,267
Total revenues	<u>2,050,154</u>	<u>2,443,888</u>	<u>393,734</u>
EXPENDITURES			
Current:			
General government	404,146	408,466	(4,320)
Public safety	1,010,318	1,065,652	(55,334)
Streets, bridges and parks	188,376	178,092	10,284
Sanitation contractor	300,000	358,657	(58,657)
Capital outlay	255,363	196,961	58,402
Total expenditures	<u>2,158,203</u>	<u>2,207,828</u>	<u>(49,625)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(108,049)</u>	<u>236,060</u>	<u>344,109</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	273,174	273,174
Transfers out	-	(547,569)	(547,569)
Total other financing sources (uses)	<u>-</u>	<u>(274,395)</u>	<u>(274,395)</u>
Net change in fund balance	<u>\$ (108,049)</u>	<u>\$ (38,335)</u>	<u>\$ 69,714</u>

CITY OF FLATONIA, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2021

NOTE 1: BUDGETS

The budget for the Governmental Fund adopted during the year by the City Council was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget. The other governmental funds budgetary comparisons are not displayed because they are not major funds.

CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS (unaudited)
Last Seven Measurement Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total pension liability							
Service cost	\$ 131,140	\$ 130,184	\$ 136,750	\$ 157,716	\$ 162,642	\$ 176,193	\$ 176,181
Interest (on the total pension liability)	272,888	291,787	294,118	307,731	320,629	342,727	362,922
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	2,703	(125,220)	(92,517)	(81,370)	34,847	11,773	(111,159)
Change of assumptions	-	36,047	-	-	-	(19,178)	-
Benefit payments, including refunds of employee contributions	(73,417)	(199,113)	(95,218)	(199,111)	(191,801)	(203,221)	(221,439)
Net change in total pension liability	333,314	133,685	243,133	184,966	326,317	308,294	206,505
Total pension liability - beginning	3,869,538	4,202,852	4,336,537	4,579,670	4,764,636	5,090,953	5,399,247
Total pension liability - ending (a)	<u>\$ 4,202,852</u>	<u>\$ 4,336,537</u>	<u>\$ 4,579,670</u>	<u>\$ 4,764,636</u>	<u>\$ 5,090,953</u>	<u>\$ 5,399,247</u>	<u>\$ 5,605,752</u>

CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS (unaudited) (CONTINUED)
Last Seven Measurement Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Plan fiduciary net position							
Contributions - employer	\$ 144,348	\$ 143,419	\$ 141,534	\$ 163,548	\$ 164,146	\$ 160,684	\$ 159,636
Contributions - employee	56,932	56,287	55,882	63,853	65,809	71,832	70,112
Net investment income	184,466	5,216	239,138	537,246	(132,986)	671,385	382,661
Benefit payments, including refunds of employee contributions	(73,417)	(199,113)	(95,218)	(199,111)	(191,801)	(203,221)	(221,439)
Administrative expense	(1,925)	(3,176)	(2,699)	(2,783)	(2,569)	(3,791)	(2,474)
Other	(158)	(157)	(145)	(141)	(134)	(114)	(97)
Net change in plan fiduciary net position	310,246	2,476	338,492	562,612	(97,535)	696,775	388,399
Plan fiduciary net position - beginning	3,223,773	3,534,019	3,536,495	3,874,987	4,437,599	4,340,064	5,036,839
Plan fiduciary net position - ending (b)	\$ 3,534,019	\$ 3,536,495	\$ 3,874,987	\$ 4,437,599	\$ 4,340,064	\$ 5,036,839	\$ 5,425,238
Net pension liability - ending (a)-(b)	\$ 668,833	\$ 800,042	\$ 704,683	\$ 327,037	\$ 750,889	\$ 362,408	\$ 180,514
Plan fiduciary net position as a percentage of total pension liability	84.09%	81.55%	84.61%	93.14%	85.25%	93.29%	96.78%
Covered payroll	\$ 813,316	\$ 804,104	\$ 798,308	\$ 912,181	\$ 940,130	\$ 1,026,169	\$ 1,001,598
Net pension liability as a percentage of covered payroll	82.24%	99.49%	88.27%	35.85%	79.87%	35.32%	18.02%

CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS (unaudited)
Last Seven Fiscal Years

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Actuarially determined contribution	\$ 145,050	\$ 139,693	\$ 157,208	\$ 162,571	\$ 163,773	\$ 167,413	\$ 164,071
Contributions in relation to the actuarially determined contribution	145,120	139,767	157,208	162,588	163,773	163,773	163,773
Contribution deficiency (excess)	\$ (70)	\$ (74)	\$ -	\$ (17)	\$ -	\$ 3,640	\$ 298
Covered payroll	\$ 814,232	\$ 786,829	\$ 879,521	\$ 923,941	\$ 1,013,343	\$ 1,055,455	\$ 1,037,796
Contributions as a percentage of covered payroll	17.82%	17.76%	17.87%	17.60%	16.16%	15.52%	15.78%

**CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
Last Seven Fiscal Years**

Valuation Date: 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 of percent of payroll, Closed
Remaining Amortization Period	24 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.

**CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2021**

	Measurement Date 2017	Measurement Date 2018	Measurement Date 2019	Measurement Date 2020
Total OPEB liability				
Service cost	\$ 2,372	\$ 2,820	\$ 2,360	\$ 2,804
Interest on total OPEB liability	1,750	1,802	1,945	1,758
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(2,292)	(1,830)	(528)
Changes in assumptions or other inputs	4,155	(3,667)	9,317	9,664
Benefit payments	<u>(365)</u>	<u>(376)</u>	<u>(513)</u>	<u>(501)</u>
Net change in total OPEB liability	7,912	(1,713)	11,279	13,197
Total OPEB liability - beginning	<u>45,295</u>	<u>53,207</u>	<u>51,494</u>	<u>62,773</u>
Total OPEB liability - ending	<u><u>\$ 53,207</u></u>	<u><u>\$ 51,494</u></u>	<u><u>\$ 62,773</u></u>	<u><u>\$ 75,970</u></u>
Covered employee payroll	\$ 912,181	\$ 940,130	\$ 1,026,169	\$ 1,001,598
Total OPEB liability as a percentage of covered employee payroll	5.83%	5.48%	6.12%	7.58%

**CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2021**

NOTE 1: CHANGE OF ASSUMPTIONS

Changes of assumptions and other inputs reflect the effect of change in the discount rate from 2.75 percent as of December 31, 2019 to 2.00 percent as of December 31, 2020.

NOTE 2: OTHER INFORMATION

The Supplemental Death Benefit Fund (SDBF) covers both active and retiree benefits with no segregation of assets, and therefore does not meet the definition of a trust under GASB Statement No. 75, paragraph 4b.

CITY OF FLATONIA, TEXAS
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
 SCHEDULE OF THE CITY AND STATE'S PROPORTIONATE SHARE OF NET
 PENSION LIABILITY AND RELATED RATIOS (unaudited)
 Last Eight Measurement Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021
City's proportion of the net pension liability	0.640%	0.762%	0.731%	0.810%	0.786%	1.064%	1.021%	0.929%
City's proportionate share of the net pension liability	\$ 116,362	\$ 203,436	\$ 212,991	\$ 194,403	\$ 170,144	\$ 301,488	\$ 257,364	\$ 99,528
State's proportionate share of the net pension liability	39,321	70,517	73,633	63,663	47,222	89,430	73,367	28,372
Total proportionate share of the net pension liability	\$ 155,683	\$ 273,953	\$ 286,624	\$ 258,066	\$ 217,366	\$ 390,918	\$ 330,731	\$ 127,900
Plan fiduciary net position as a percentage of the total pension liability	83.5%	76.9%	76.3%	81.4%	84.3%	80.2%	83.2%	93.1%

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

CITY OF FLATONIA, TEXAS
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
 SCHEDULE OF THE CITY'S CONTRIBUTIONS - AS NONEMPLOYER
 CONTRIBUTING ENTITIES (unaudited)
 Last Eight Measurement Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021
Statutorily required contributions	\$ 29,000	\$ 36,000	\$ 33,500	\$ 39,175	\$ 37,638	\$ 47,662	\$ 47,600	\$ 44,600
Contributions in relation to the statutorily required contribution	29,000	36,000	33,500	39,175	37,638	47,662	48,400	45,100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (800)	\$ (500)

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

OTHER INFORMATION

CITY OF FLATONIA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2021

	Special Revenue						Total Nonmajor Governmental Funds
	Debt Service	Hotel/ Motel	Police Donations	Municipal Court	Judicial Fee	Building Security	
ASSETS							
Restricted cash and investments	\$ -	\$ 94,331	\$ 1,599	\$ 16,390	\$ 1,174	\$ 13,569	\$ 127,063
Occupancy taxes receivable	-	24,038	-	-	-	-	24,038
Total assets	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ 1,599</u>	<u>\$ 16,390</u>	<u>\$ 1,174</u>	<u>\$ 13,569</u>	<u>\$ 151,101</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted	-	118,369	1,599	16,390	1,174	13,569	151,101
Total fund balances	<u>-</u>	<u>118,369</u>	<u>1,599</u>	<u>16,390</u>	<u>1,174</u>	<u>13,569</u>	<u>151,101</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ 1,599</u>	<u>\$ 16,390</u>	<u>\$ 1,174</u>	<u>\$ 13,569</u>	<u>\$ 151,101</u>

CITY OF FLATONIA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Special Revenue					Total Nonmajor Governmental Funds
	Debt Service	Hotel/ Motel	Police Donations	Municipal Court	Judicial Fee	
REVENUES						
Occupancy tax	-	\$ 102,014	\$ -	-	-	\$ 102,014
Fines	-	-	-	126	7	227
Restricted donations	-	-	2,490	-	-	2,490
Total revenues	-	<u>102,014</u>	<u>2,490</u>	<u>126</u>	<u>7</u>	<u>104,731</u>
EXPENDITURES						
Tourism	-	92,316	-	-	-	92,316
Police department donations	-	-	65	-	-	65
Principal	107,800	-	-	-	-	107,800
Interest	12,292	-	-	-	-	12,292
Total expenditures	<u>120,092</u>	<u>92,316</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>212,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,092)</u>	<u>9,698</u>	<u>2,425</u>	<u>126</u>	<u>7</u>	<u>(107,742)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	120,092	-	-	-	-	120,092
Transfers out	-	-	(3,724)	-	-	(3,724)
Total other financing sources (uses)	<u>120,092</u>	<u>-</u>	<u>(3,724)</u>	<u>-</u>	<u>-</u>	<u>116,368</u>
Net change in fund balances	-	9,698	(1,299)	126	7	8,626
Fund balances - beginning	-	108,671	2,898	16,264	1,167	142,475
Fund balances - ending	<u>\$ -</u>	<u>\$ 118,369</u>	<u>\$ 1,599</u>	<u>\$ 16,390</u>	<u>\$ 1,174</u>	<u>\$ 151,101</u>

**CITY OF FLATONIA, TEXAS
COMBINING BALANCE SHEET
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
September 30, 2021**

	<u>General Fund</u>	<u>Economic Development Corporation</u>	<u>Interfund Eliminating Adjustments</u>	<u>Total Combined General Fund</u>
ASSETS				
Cash and investments	\$ 236,234	\$ -	\$ -	\$ 236,234
Restricted cash and investments	89	101,828	-	101,917
Receivables:				
Sales taxes	18,315	9,157	-	27,472
Mixed beverage taxes	323	-	-	323
Sanitation services	58,737	-	-	58,737
Franchise taxes	1,884	-	-	1,884
Ad valorem taxes	21,351	-	-	21,351
Other	1,117	-	-	1,117
Due from other government	1,126	-	-	1,126
Interfund receivables	-	8,885	(8,885)	-
Prepaid expenditures	8,405	-	-	8,405
Total assets	<u>\$ 347,581</u>	<u>\$ 119,870</u>	<u>\$ (8,885)</u>	<u>\$ 458,566</u>
LIABILITIES				
Accounts payable	\$ 275,754	\$ -	\$ -	\$ 275,754
Other accrued expenses	31,867	-	-	31,867
Interfund payables	92,985	-	(8,885)	84,100
Total liabilities	<u>400,606</u>	<u>-</u>	<u>(8,885)</u>	<u>391,721</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable taxes	21,351	-	-	21,351
Total deferred inflows of resources	<u>21,351</u>	<u>-</u>	<u>-</u>	<u>21,351</u>
FUND BALANCES				
Nonspendable	8,405	-	-	8,405
Restricted	-	119,870	-	119,870
Unassigned	(82,781)	-	-	(82,781)
Total fund balances	<u>(74,376)</u>	<u>119,870</u>	<u>-</u>	<u>45,494</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 347,581</u>	<u>\$ 119,870</u>	<u>\$ (8,885)</u>	<u>\$ 458,566</u>

CITY OF FLATONIA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended September 30, 2021

	<u>General Fund</u>	<u>Economic Development Corporation</u>	<u>Total Combined General Fund</u>
REVENUES			
Ad valorem tax	\$ 357,036	\$ -	\$ 357,036
Sales tax	262,892	131,447	394,339
Franchise tax	768,597	-	768,597
Mixed beverage tax	3,893	-	3,893
Licenses, fees, and permits	15,979	-	15,979
Fines	13,688	-	13,688
Sanitation services	467,161	-	467,161
Interest income	354	-	354
Rental income	12,515	-	12,515
Restricted donations	-	-	-
Fire department donations	9,127	-	9,127
Grant income	269,299	-	269,299
Royalty income	9,636	-	9,636
Resource officer reimbursement	34,897	-	34,897
Miscellaneous	87,367	-	87,367
Total revenues	<u>2,312,441</u>	<u>131,447</u>	<u>2,443,888</u>
EXPENDITURES			
Current:			
General government	371,047	37,419	408,466
Public safety	1,065,652	-	1,065,652
Streets, bridges and parks	178,092	-	178,092
Sanitation contractor	358,657	-	358,657
Capital outlay	196,961	-	196,961
Total expenditures	<u>2,170,409</u>	<u>37,419</u>	<u>2,207,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>142,032</u>	<u>94,028</u>	<u>236,060</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	273,174	-	273,174
Transfers out	(371,972)	(175,597)	(547,569)
Total other financing sources (uses)	<u>(98,798)</u>	<u>(175,597)</u>	<u>(274,395)</u>
Net change in fund balances	43,234	(81,569)	(38,335)
Fund balances - beginning	<u>(117,610)</u>	<u>201,439</u>	<u>83,829</u>
Fund balances - ending	<u>\$ (74,376)</u>	<u>\$ 119,870</u>	<u>\$ 45,494</u>

