

CITY OF FLATONIA, TEXAS

FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

**CITY OF FLATONIA, TEXAS
FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

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FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

**CITY OF FLATONIA, TEXAS
LIST OF PRINCIPAL OFFICIALS
September 30, 2020**

Mayor	Bryan Milson
Mayor Pro-tem	Catherine Steinhauser
Councilpersons	Donna Cockrell Mark Eversole Dennis Geesaman Ginny Needham-Sears
City Manager	Mark McLaughlin (October 2019 – November 2019) Sarah Novo (March 2020 – September 2020)
Utility Director	Jack Pavlas
City Secretary	Melissa Brunner (October 2019 – June 2020)
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, 2020, 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, 2020. 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.

We were not able to obtain sufficient appropriate audit evidence in order to substantiate accrued payroll balances found in the General Fund, the Electric Fund, and the Water Fund and as such, we are not able to determine if these balances are presented fairly, in all material respects, at September 30, 2020. This impacts the Other accrued expense line found on the Balance Sheet, Governmental Fund, General Fund, the Payroll and sales taxes payable line found on the Statement of Net Position, Proprietary Funds, Electric Fund, and Water Fund, and the Accounts Payable – other line found on the Statement of Net Position, Governmental Activities and Business-type Activities. The amount of the departure has not been determined.

We were not able to obtain sufficient appropriate audit evidence to determine if grant funds received by the City from the Texas Department of Emergency Management, and Texas Department of Agriculture, have been earned and should be treated as revenue of the City or if they represent unearned revenue as of the fiscal year ended September 30, 2020. In addition, grant funds of \$1,562 received from the Texas Department of Emergency Management, and grant funds of \$5,000 received from the Texas Department of Agriculture, could not be successfully tied back to specific grant programs. As such, we were unable to obtain sufficient appropriate audit evidence in order to determine if these funds were being handled properly by the City. The amount of the departure has not been determined.

Qualified Opinions

In our opinion, except for the possible effects of the matter 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, 2020, 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 Opinion

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, 2020, 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 55 through 64 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.

May 9, 2023

CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

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, 2020. 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, 2020 by \$8,195,744 (net position). Of this amount, a deficit of (\$160,271) of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2020, the City's governmental funds reported combined ending fund balances of \$226,305.
- At September 30, 2020, unassigned fund balance for the General Fund was (\$121,305) deficit or negative 5.45% of total General Fund expenditures.
- The total cost of all City activities was \$5,497,207 for the fiscal year.
- During the year, the City's expenses exceeded revenues of the governmental activities by \$7,111 and revenues exceeded expenses of the business-type activities by \$338,176.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Government-wide Overall Financial Analysis

**City of Flatonia, Texas
Components of Net Position
September 30, 2020
With Comparative Totals for September 30, 2019
(in thousands)**

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	2020	2019	2020	2019	2020	2019		
Cash and other assets	\$ 354	\$ 507	\$ 1,126	\$ 962	\$ 1,480	\$ 1,469	\$ 11	0.7%
Capital assets, net	4,165	4,278	4,372	4,214	8,537	8,492	45	0.5%
Total assets	<u>4,519</u>	<u>4,785</u>	<u>5,498</u>	<u>5,176</u>	<u>10,017</u>	<u>9,961</u>	<u>56</u>	<u>0.6%</u>
Deferred outflows of resources	78	248	54	140	132	388	(256)	-66.0%
Total deferred outflows of resources	<u>78</u>	<u>248</u>	<u>54</u>	<u>140</u>	<u>132</u>	<u>388</u>	<u>(256)</u>	<u>-66.0%</u>
Total assets and deferred outflows of resources	<u>4,597</u>	<u>5,033</u>	<u>5,552</u>	<u>5,316</u>	<u>10,149</u>	<u>10,349</u>	<u>(200)</u>	<u>-1.9%</u>
Current and other liabilities	215	340	445	398	660	738	(78)	-10.6%
Long term liabilities	734	1,116	376	572	1,110	1,688	(578)	-34.2%
Total liabilities	<u>949</u>	<u>1,456</u>	<u>821</u>	<u>970</u>	<u>1,770</u>	<u>2,426</u>	<u>(656)</u>	<u>-27.0%</u>
Deferred inflows of resources	113	35	70	23	183	58	125	215.5%
Total deferred inflows of resources	<u>113</u>	<u>35</u>	<u>70</u>	<u>23</u>	<u>183</u>	<u>58</u>	<u>125</u>	<u>215.5%</u>
Net position:								
Net investment in capital assets	3,832	3,839	4,122	3,879	7,954	7,718	236	3.1%
Restricted	344	318	59	69	403	387	16	4.1%
Unrestricted	(641)	(615)	480	375	(161)	(240)	79	-32.9%
Total net position	<u>\$ 3,535</u>	<u>\$ 3,542</u>	<u>\$ 4,661</u>	<u>\$ 4,323</u>	<u>\$ 8,196</u>	<u>\$ 7,865</u>	<u>\$ 331</u>	<u>4.2%</u>

During the year ended September 30, 2020, the net position increased approximately \$331,000. Cash and other assets increased by \$11,000, net capital assets increased by \$45,000, and deferred outflows of resources related to pension system and other post-employment benefits decreased by \$256,000. Current and other liabilities decreased by \$78,000, long term liabilities decreased by \$578,000, and the deferred inflows of resources related to pension system increased by \$125,000.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Government-wide Overall Financial Analysis (Continued)

**City of Flatonia, Texas
Condensed Statement of Activities
For the Year Ended September 30, 2020
With Comparative Totals for the Year Ended September 30, 2019
(in thousands)**

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	2020	2019	2020	2019	2020	2019		
Revenues:								
Program revenues								
Charges for services	\$ 483	\$ 470	\$ 3,542	\$ 3,674	\$ 4,025	\$ 4,144	\$ (119)	-2.9%
Grants and contributions	178	6	165	34	343	40	303	757.5%
General revenues								
Taxes	1,242	1,545	-	-	1,242	1,545	(303)	-19.6%
Interest	5	11	-	-	5	11	(6)	-54.5%
Royalty income	37	18	-	-	37	18	19	105.6%
Other income	167	134	9	5	176	139	37	26.6%
Total revenues	<u>2,112</u>	<u>2,184</u>	<u>3,716</u>	<u>3,713</u>	<u>5,828</u>	<u>5,897</u>	<u>(69)</u>	<u>-1.2%</u>
Expenses:								
General government	628	468	-	-	628	468	160	34.2%
Public safety	1,069	1,212	-	-	1,069	1,212	(143)	-11.8%
Streets	253	275	-	-	253	275	(22)	-8.0%
Sanitation	340	336	-	-	340	336	4	1.2%
Tourism	93	97	-	-	93	97	(4)	-4.1%
Electric	-	-	2,372	2,846	2,372	2,846	(474)	-16.7%
Water	-	-	473	478	473	478	(5)	-1.0%
Wastewater	-	-	228	280	228	280	(52)	-18.6%
Interest and fees	16	16	4	7	20	23	(3)	-13.0%
(Gain) loss on disposal of asset	21	28	-	1	21	29	(8)	-27.6%
Total expenses	<u>2,420</u>	<u>2,432</u>	<u>3,077</u>	<u>3,612</u>	<u>5,497</u>	<u>6,044</u>	<u>(547)</u>	<u>-9.1%</u>
Excess (deficiency) before transfers								
	(308)	(248)	639	101	331	(147)	478	-325.2%
Transfers								
	301	(32)	(301)	32	-	-	-	
Change in net position								
	(7)	(280)	338	133	331	(147)	478	-325.2%
Beginning net position								
	3,542	3,822	4,323	4,190	7,865	8,012	(147)	-1.8%
Ending net position								
	<u>\$ 3,535</u>	<u>\$ 3,542</u>	<u>\$ 4,661</u>	<u>\$ 4,323</u>	<u>\$ 8,196</u>	<u>\$ 7,865</u>	<u>\$ 331</u>	<u>4.2%</u>

Total revenues decreased by \$69,000 mostly due to decreases in charges for services and taxes. Expenses decreased by \$547,000 mostly due to decreases in electric, water, wastewater, streets and public safety cost.

**CITY OF FLATONIA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Budgetary Highlights

The City did not revise its budget for the General Fund during the fiscal year. General Fund actual revenues were less than budgeted revenues by \$104,737. Actual General Fund expenditures were \$61,718 greater than budgeted and actual net transfers in exceeded the amount budgeted by \$2,335.

Capital Assets

At year-end the City had approximately \$8,537,000 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 increase (additions, deletions, and depreciation) of approximately \$45,000 or negative 0.5% from the prior year.

**City of Flatonia, Texas
Capital Assets
For the Year Ended September 30, 2020
With Comparative Totals for the Year Ended September 30, 2019
(in thousands)**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2020	2019	2020	2019	2020	2019		
Land	\$ 433	\$ 433	\$ 12	\$ 12	\$ 445	\$ 445	\$ -	0.0%
Construction in progress	5	65	223	87	228	152	76	50.0%
Buildings and improvements	2,896	2,722	429	429	3,325	3,151	174	5.5%
Vehicles, machinery, and equipment	928	973	866	720	1,794	1,693	101	6.0%
Road and bridge	2,932	2,855	-	-	2,932	2,855	77	2.7%
Utility distribution systems:								
Electric	-	-	1,539	1,500	1,539	1,500	39	2.6%
Wastewater	-	-	1,629	1,630	1,629	1,630	(1)	-0.1%
Water	-	-	2,472	2,453	2,472	2,453	19	0.8%
Subtotal	7,194	7,048	7,170	6,831	14,364	13,879	485	3.5%
Accumulated depreciation	(3,029)	(2,770)	(2,798)	(2,617)	(5,827)	(5,387)	(440)	8.2%
Total capital assets, net	<u>\$ 4,165</u>	<u>\$ 4,278</u>	<u>\$ 4,372</u>	<u>\$ 4,214</u>	<u>\$ 8,537</u>	<u>\$ 8,492</u>	<u>\$ 45</u>	0.5%

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, 2020**

Long-term Liabilities

At year-end the City had approximately \$1,267,000 of long-term liabilities. There were no new borrowings, net pension liability decreased \$432,000, other post-employment benefits (OPEB) liability increased \$11,000 and \$189,000 was paid on existing debt.

**City of Flatonia, Texas
Long-term Liabilities
For the Year Ended September 30, 2020
With Comparative Totals for the Year Ended September 30, 2019
(in thousands)**

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2020	2019	2020	2019	2020	2019		
Bonds	\$ 111	\$ 147	\$ 185	\$ 251	\$ 296	\$ 398	\$ (102)	-25.6%
Loans	222	291	66	84	288	375	(87)	-23.2%
Net pension liability	471	752	149	300	620	1,052	(432)	-41.1%
OPEB liability	37	31	26	21	63	52	11	21.2%
Total long-term liabilities	<u>\$ 841</u>	<u>\$ 1,221</u>	<u>\$ 426</u>	<u>\$ 656</u>	<u>\$ 1,267</u>	<u>\$ 1,877</u>	<u>\$ (610)</u>	<u>-32.5%</u>

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 2020/2021 is \$.3150 per \$100 in valuation. The total certified taxable value is \$107,155,843 and the certified tax levy is \$353,788.

In the General Fund, the City has budgeted \$2,044,308 in revenues and \$2,044,308 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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,180	\$ 314,754	\$ 318,934
Accounts receivable	58,341	400,680	459,021
Grants receivable	-	70,935	70,935
Taxes receivable	77,002	-	77,002
Other receivables	54,430	-	54,430
Due from other government	2,485	-	2,485
Interfund balances	276	84,100	84,376
Prepaid	3,695	16,077	19,772
Inventory	-	63,824	63,824
Restricted assets:			
Restricted cash and cash equivalents	153,096	175,605	328,701
Capital assets, net of accumulated depreciation	4,165,478	4,372,369	8,537,847
Total assets	<u>4,518,983</u>	<u>5,498,344</u>	<u>10,017,327</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	73,659	50,217	123,876
Deferred amounts related to other post employment benefits	5,087	3,535	8,622
Total deferred outflows of resources	<u>78,746</u>	<u>53,752</u>	<u>132,498</u>
Total assets and deferred outflows of resources	<u>\$ 4,597,729</u>	<u>\$ 5,552,096</u>	<u>\$ 10,149,825</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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable - trade	\$ 8,547	\$ 22,813	\$ 31,360
Accounts payable - grants	-	70,435	70,435
Accounts payable - other	15,000	9,672	24,672
Interfund balances	84,376	-	84,376
Utility rebate	-	5,346	5,346
Unearned revenue	-	170,709	170,709
Customer deposits	-	117,052	117,052
Notes payable - due within one year	71,801	18,846	90,647
Bonds payable - due within one year	36,000	30,000	66,000
Noncurrent liabilities:			
Net pension liability	471,184	148,587	619,771
Other post employment benefits liability	37,036	25,737	62,773
Notes payable - due in more than one year	150,677	46,976	197,653
Bonds payable - due in more than one year	75,000	155,000	230,000
Total liabilities	949,621	821,173	1,770,794
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	111,617	68,754	180,371
Deferred amounts related to other post employment benefits	1,718	1,198	2,916
Total deferred inflows of resources	113,335	69,952	183,287
NET POSITION			
Net investment in capital assets	3,832,000	4,121,547	7,953,547
Restricted for:			
Police	-	-	-
Fire	-	-	-
Building security	13,475	-	13,475
Economic development	201,439	-	201,439
Capital projects	-	23,199	23,199
Debt service	-	35,354	35,354
Judicial fee	1,167	-	1,167
Municipal court	16,264	-	16,264
Tourism	108,672	-	108,672
Police department donations	2,898	-	2,898
Unrestricted (deficit)	(641,142)	480,871	(160,271)
Total net position	\$ 3,534,773	\$ 4,660,971	\$ 8,195,744

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, 2020**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 4,180	\$ -	\$ 4,180
Restricted cash and investments	35,032	118,064	153,096
Receivables:			
Sales taxes	30,306	-	30,306
Mixed beverage taxes	847	-	847
Sanitation services	58,341	-	58,341
Franchise taxes	2,436	-	2,436
Ad valorem taxes	19,277	-	19,277
Occupancy taxes	-	24,136	24,136
Other	54,430	-	54,430
Due from other government	2,485	-	2,485
Interfund receivables	-	276	276
Prepaid expenditures	3,695	-	3,695
Total assets	<u>\$ 211,029</u>	<u>\$ 142,476</u>	<u>\$ 353,505</u>
LIABILITIES			
Accounts payable	\$ 8,547	\$ -	\$ 8,547
Other accrued expenses	15,000	-	15,000
Interfund payables	84,376	-	84,376
Total liabilities	<u>107,923</u>	<u>-</u>	<u>107,923</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable taxes	19,277	-	19,277
Total deferred inflows of resources	<u>19,277</u>	<u>-</u>	<u>19,277</u>
FUND BALANCES			
Nonspendable	3,695	-	3,695
Restricted	201,439	142,476	343,915
Committed	-	-	-
Assigned	-	-	-
Unassigned	(121,305)	-	(121,305)
Total fund balances	<u>83,829</u>	<u>142,476</u>	<u>226,305</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 211,029</u>	<u>\$ 142,476</u>	<u>\$ 353,505</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, 2020**

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

Total fund balances - governmental funds (page 13)	\$ 226,305
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,165,478
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.	73,659
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.	5,087
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	(471,184)
Other post employment benefits liability	(37,036)
Notes payable - due within one year	(71,801)
Notes payable - due in more than one year	(150,677)
Bonds payable - due within one year	(36,000)
Bonds payable - due in more than one year	(75,000)
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	19,277
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.	(111,617)
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>(1,718)</u>
Net position of governmental activities	<u><u>\$ 3,534,773</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, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem tax	\$ 342,959	\$ -	\$ 342,959
Sales tax	362,138	-	362,138
Occupancy tax	-	69,985	69,985
Franchise tax	462,472	-	462,472
Mixed beverage tax	3,301	-	3,301
Licenses, fees, and permits	42,766	-	42,766
Fines	20,666	543	21,209
Sanitation services	461,588	-	461,588
Interest income	4,723	-	4,723
Rental income	12,985	-	12,985
Restricted donations	2,200	-	2,200
Fire department donations	8,786	-	8,786
Grant income	177,692	-	177,692
Royalty income	37,228	-	37,228
Resource officer reimbursement	33,009	-	33,009
Miscellaneous	68,098	-	68,098
Total revenues	<u>2,040,611</u>	<u>70,528</u>	<u>2,111,139</u>
EXPENDITURES			
Current:			
General government	565,877	-	565,877
Public safety	970,676	-	970,676
Streets, bridges and parks	142,443	-	142,443
Sanitation contractor	339,917	-	339,917
Tourism	-	92,955	92,955
Police department donations	-	785	785
Debt service			
Principal	-	104,977	104,977
Interest	-	16,176	16,176
Capital outlay	205,815	-	205,815
Total expenditures	<u>2,224,728</u>	<u>214,893</u>	<u>2,439,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(184,117)</u>	<u>(144,365)</u>	<u>(328,482)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	455,652	121,153	576,805
Transfers out	(291,532)	15,411	(276,121)
Total other financing sources (uses)	<u>164,120</u>	<u>136,564</u>	<u>300,684</u>
Net change in fund balances	(19,997)	(7,801)	(27,798)
Fund balances - beginning	<u>103,826</u>	<u>150,277</u>	<u>254,103</u>
Fund balances - ending	<u>\$ 83,829</u>	<u>\$ 142,476</u>	<u>\$ 226,305</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, 2020

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)	\$ (27,798)
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.	205,815
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.	(297,185)
Loss on disposal of capital assets	(20,889)
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.	104,977
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.	1,528
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>26,441</u>
Change in net position of governmental activities	<u><u>\$ (7,111)</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, 2020

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 285,420	\$ -	\$ 29,334	\$ 314,754
Restricted assets:				
Cash and cash equivalents	98,157	42,094	35,354	175,605
Accounts receivable - trade (net)	301,213	67,728	31,739	400,680
Accounts receivable - grants	-	70,935	-	70,935
Interfund receivables	-	-	84,100	84,100
Prepaid - other	14,036	607	1,434	16,077
Inventory	63,824	-	-	63,824
Total current assets	<u>762,650</u>	<u>181,364</u>	<u>181,961</u>	<u>1,125,975</u>
Noncurrent assets:				
Capital assets:				
Land	2,875	6,034	2,875	11,784
Construction in progress	6,687	138,201	77,791	222,679
Utility plant and distribution system	1,536,449	2,456,073	1,623,876	5,616,398
Buildings and improvements	152,046	82,177	194,482	428,705
Vehicles, machinery and equipment	612,975	252,855	24,927	890,757
Less: accumulated depreciation	<u>(1,457,571)</u>	<u>(663,358)</u>	<u>(677,025)</u>	<u>(2,797,954)</u>
Total capital assets (net of accumulated depreciation)	<u>853,461</u>	<u>2,271,982</u>	<u>1,246,926</u>	<u>4,372,369</u>
Total noncurrent assets	<u>853,461</u>	<u>2,271,982</u>	<u>1,246,926</u>	<u>4,372,369</u>
Total assets	<u>1,616,111</u>	<u>2,453,346</u>	<u>1,428,887</u>	<u>5,498,344</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	30,620	19,597	-	50,217
Deferred amounts related to other post employment benefits	<u>2,155</u>	<u>1,380</u>	<u>-</u>	<u>3,535</u>
Total deferred outflows of resources	<u>32,775</u>	<u>20,977</u>	<u>-</u>	<u>53,752</u>
Total assets and deferred outflows of resources	<u>\$ 1,648,886</u>	<u>\$ 2,474,323</u>	<u>\$ 1,428,887</u>	<u>\$ 5,552,096</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, 2020**

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
LIABILITIES				
Current liabilities:				
Accounts payable - trade	\$ 24,838	\$ (3,282)	\$ 1,257	\$ 22,813
Accounts payable - grants	-	70,435	-	70,435
Accounts payable - other	2,140	386	-	2,526
Payroll and sales taxes payable	5,786	1,325	35	7,146
Unearned revenue	170,709	-	-	170,709
Utility rebate	5,346	-	-	5,346
Customer deposits	98,157	18,895	-	117,052
Note payable - current portion	-	18,846	-	18,846
Bonds payable - current portion	-	30,000	-	30,000
Total current liabilities	<u>306,976</u>	<u>136,605</u>	<u>1,292</u>	<u>444,873</u>
Noncurrent liabilities:				
Net pension liability	90,602	57,985	-	148,587
Other post employment benefits liability	15,693	10,044	-	25,737
Note payable	-	46,976	-	46,976
Bonds payable	-	155,000	-	155,000
Total noncurrent liabilities	<u>106,295</u>	<u>270,005</u>	<u>-</u>	<u>376,300</u>
Total liabilities	<u>413,271</u>	<u>406,610</u>	<u>1,292</u>	<u>821,173</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	41,923	26,831	-	68,754
Deferred amounts related to other post employment benefits	731	467	-	1,198
Total deferred inflows of resources	<u>42,654</u>	<u>27,298</u>	<u>-</u>	<u>69,952</u>
NET POSITION				
Net investment in capital assets	853,461	2,021,160	1,246,926	4,121,547
Restricted for debt service	-	-	35,354	35,354
Restricted for capital projects	-	23,199	-	23,199
Unrestricted (deficit)	339,500	(3,944)	145,315	480,871
Total net position	<u>\$ 1,192,961</u>	<u>\$ 2,040,415</u>	<u>\$ 1,427,595</u>	<u>\$ 4,660,971</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, 2020

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
Operating revenues:				
Charges for services	\$ 2,817,445	\$ 464,863	\$ 260,066	\$ 3,542,374
Total operating revenues	<u>2,817,445</u>	<u>464,863</u>	<u>260,066</u>	<u>3,542,374</u>
Operating expenses:				
Utilities purchased	1,424,126	-	-	1,424,126
Franchise fee	365,153	-	81,663	446,816
Personnel services	347,380	232,431	-	579,811
Maintenance and operating	177,548	170,275	86,781	434,604
Depreciation	56,121	68,616	59,237	183,974
Bad debt	1,729	1,700	233	3,662
Total operating expenses	<u>2,372,057</u>	<u>473,022</u>	<u>227,914</u>	<u>3,072,993</u>
Operating income (loss)	<u>445,388</u>	<u>(8,159)</u>	<u>32,152</u>	<u>469,381</u>
Non operating revenues (expenses):				
Interest income	-	50	66	116
Interest expense	-	(2,990)	(362)	(3,352)
Transfers in	-	337,996	175,384	513,380
Transfers out	(300,000)	(300,062)	(214,002)	(814,064)
Bond administration fee	-	-	(400)	(400)
Grant income	-	90,057	73,908	163,965
Other income (expense)	8,148	500	502	9,150
Total non operating revenues (expenses)	<u>(291,852)</u>	<u>125,551</u>	<u>35,096</u>	<u>(131,205)</u>
Change in net position	153,536	117,392	67,248	338,176
Total net position - beginning	<u>1,039,425</u>	<u>1,923,023</u>	<u>1,360,347</u>	<u>4,322,795</u>
Total net position - ending	<u>\$ 1,192,961</u>	<u>\$ 2,040,415</u>	<u>\$ 1,427,595</u>	<u>\$ 4,660,971</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, 2020

	Business-type Activities - Proprietary Funds			
	Electric	Water	Wastewater	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,829,079	\$ 409,999	\$ 260,794	\$ 3,499,872
Payments to suppliers	(1,548,634)	(148,075)	(90,525)	(1,787,234)
Payments to employees	(353,699)	(239,740)	-	(593,439)
Franchise fee	(365,153)	-	(81,663)	(446,816)
Net cash provided by (used for) operating activities	<u>561,593</u>	<u>22,184</u>	<u>88,606</u>	<u>672,383</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	337,996	175,384	513,380
Transfers to other funds	(300,000)	(300,062)	(214,002)	(814,064)
Net cash provided by (used for) noncapital financing activities	<u>(300,000)</u>	<u>37,934</u>	<u>(38,618)</u>	<u>(300,684)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from other income	8,148	500	503	9,151
Proceeds from grant income	-	90,057	73,908	163,965
Purchases of capital assets	(134,451)	(130,398)	(77,791)	(342,640)
Interest and fees paid on capital debt	-	(2,990)	(762)	(3,752)
Principal paid on capital debt	-	(48,118)	(36,000)	(84,118)
Net cash provided by (used for) capital and related financing activities	<u>(126,303)</u>	<u>(90,949)</u>	<u>(40,142)</u>	<u>(257,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	50	66	116
Net cash provided by (used for) investing activities	<u>-</u>	<u>50</u>	<u>66</u>	<u>116</u>
Net increase (decrease) in cash and cash equivalents	135,290	(30,781)	9,912	114,421
Cash and cash equivalents at beginning of the year	<u>248,287</u>	<u>72,875</u>	<u>54,776</u>	<u>375,938</u>
Cash and cash equivalents at end of the year	<u>\$ 383,577</u>	<u>\$ 42,094</u>	<u>\$ 64,688</u>	<u>\$ 490,359</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, 2020**

	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)	\$ 445,388	\$ (8,159)	\$ 32,152	\$ 469,381
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	56,121	68,616	59,237	183,974
(Increase) decrease in accounts receivable - trade (net)	14,817	1,793	2,293	18,903
(Increase) decrease in accounts receivable - grants	-	(56,143)	-	(56,143)
(Increase) decrease in prepaid items	(1,885)	1,606	(1,331)	(1,610)
(Increase) decrease in inventory	(10,645)	-	-	(10,645)
(Increase) decrease in pension related deferred outflows	52,775	36,001	-	88,776
(Increase) decrease in OPEB related deferred outflows	(1,752)	(1,111)	-	(2,863)
Increase (decrease) in accounts payable	6,882	(33,774)	(3,745)	(30,637)
Increase (decrease) in grants payable	-	67,423	-	67,423
Increase (decrease) in other liabilities	56,803	(11,449)	-	45,354
Increase (decrease) in customer deposits	431	(420)	-	11
Increase (decrease) in net pension liability	(89,611)	(62,158)	-	(151,769)
Increase (decrease) in net OPEB liability	3,334	1,805	-	5,139
Increase (decrease) in pension related deferred inflows	28,746	18,047	-	46,793
Increase (decrease) in OPEB related deferred inflows	189	107	-	296
Total adjustments	<u>116,205</u>	<u>30,343</u>	<u>56,454</u>	<u>203,002</u>
Net cash provided by (used for) operating activities	<u>\$ 561,593</u>	<u>\$ 22,184</u>	<u>\$ 88,606</u>	<u>\$ 672,383</u>
RECONCILIATION OF TOTAL CASH				
Cash	\$ 285,420	\$ -	\$ 29,334	\$ 314,754
Restricted cash	<u>98,157</u>	<u>42,094</u>	<u>35,354</u>	<u>175,605</u>
Total cash	<u>\$ 383,577</u>	<u>\$ 42,094</u>	<u>\$ 64,688</u>	<u>\$ 490,359</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, 2020

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, 2020

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, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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, 2020

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.

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, 2020

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, 2020, 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 \$337,830 resulted, based on a net taxable valuation of \$107,247,635 for the 2019 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, 2020**

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 funds in the year ended September 30, 2020:

	Amount
General Fund	\$ 184,117
Debt Service Fund	\$ 121,153
Hotel Motel Fund	\$ 22,969
Police donations	\$ 785

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 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, 2020

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, 2020, the City's pooled cash balance was not overdrawn.

Custodial Credit Risk - Deposits

At September 30, 2020, the carrying amount of the City's deposits was \$281,396, all of which was on deposit at Prosperity Bank in Flatonia, Texas in the City's name. Of the Prosperity bank balance, \$81,089 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 \$468,098 at the balance sheet date. The balance of the City's deposits totaling \$366,017 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, 2020

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, 2020, 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, 2020.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

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 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, 2020, 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
Commercial paper	64
Money market mutual funds	1
United States treasury securities	94
TexPool Prime's weighted average maturity	53

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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, 2020, the carrying amount of the City's account was \$366,017. 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, 2020

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, 2020

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	\$ -	\$ -	\$ 433,026
Construction in progress	65,152	-	59,952	5,200
Total capital assets not being depreciated	<u>498,178</u>	<u>-</u>	<u>59,952</u>	<u>438,226</u>
Capital assets, being depreciated:				
Buildings and improvements	2,721,632	177,560	3,335	2,895,857
Vehicles, machinery, and equipment	973,370	10,000	55,612	927,758
Road and bridge	2,854,395	78,207	-	2,932,602
Total capital assets, being depreciated	<u>6,549,397</u>	<u>265,767</u>	<u>58,947</u>	<u>6,756,217</u>
Less accumulated depreciation for:				
Buildings and improvements	1,345,754	108,427	2,362	1,451,819
Vehicles, machinery, and equipment	513,170	111,578	35,696	589,052
Road and bridge	910,914	77,180	-	988,094
Total accumulated depreciation	<u>2,769,838</u>	<u>297,185</u>	<u>38,058</u>	<u>3,028,965</u>
Total capital assets, being depreciated, net	<u>3,779,559</u>	<u>(31,418)</u>	<u>20,889</u>	<u>3,727,252</u>
Governmental activities capital assets, net	<u>\$ 4,277,737</u>	<u>\$ (31,418)</u>	<u>\$ 80,841</u>	<u>\$ 4,165,478</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,784	\$ -	\$ -	\$ 11,784
Construction in progress	86,957	193,572	57,849	222,680
Total capital assets, not being depreciated	<u>98,741</u>	<u>193,572</u>	<u>57,849</u>	<u>234,464</u>
Capital assets, being depreciated:				
Buildings and improvements	428,705	-	-	428,705
Vehicles, machinery, and equipment	719,950	149,061	2,771	866,240
Utility plant and distribution system				
Electric	1,499,821	38,858	-	1,538,679
Wastewater	1,630,610	-	-	1,630,610
Water	2,452,634	18,991	-	2,471,625
Total capital assets, being depreciated	<u>6,731,720</u>	<u>206,910</u>	<u>2,771</u>	<u>6,935,859</u>
Less accumulated depreciation for:				
Buildings and improvements	82,181	23,931	-	106,112
Vehicles, machinery, and equipment	609,379	29,662	2,771	636,270
Utility plant and distribution system				
Electric	885,445	33,918	-	919,363
Wastewater	577,353	43,002	-	620,355
Water	462,393	53,461	-	515,854
Total accumulated depreciation	<u>2,616,751</u>	<u>183,974</u>	<u>2,771</u>	<u>2,797,954</u>
Total capital assets, being depreciated, net	<u>4,114,969</u>	<u>22,936</u>	<u>-</u>	<u>4,137,905</u>
Business-type activities capital assets, net	<u>\$ 4,213,710</u>	<u>\$ 216,508</u>	<u>\$ 57,849</u>	<u>\$ 4,372,369</u>

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

NOTE 4: CHANGES IN FIXED ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities:	
General government	\$ 68,441
Public safety	116,155
Streets, bridges and parks	<u>112,589</u>
Total depreciation expense - governmental activities	<u>\$ 297,185</u>
Business-type activities:	
Electric	\$ 56,121
Water	68,616
Wastewater	<u>59,237</u>
Total depreciation expense - business-type activities	<u>\$ 183,974</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 5: LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government-type activities:					
Series 2013 certificates of obligation	\$ 147,000	\$ -	\$ 36,000	\$ 111,000	\$ 36,000
Government Capital Corporation - 2014	42,369	-	20,770	21,599	21,599
Government Capital Corporation - 2017	154,853	-	36,477	118,376	37,929
Government Capital Corporation - 2018	94,231	-	11,728	82,503	12,273
Net pension liability	752,021	-	280,837	471,184	-
Other post employment benefits liability	30,896	6,140	-	37,036	-
Total government-type activities	<u>1,221,370</u>	<u>6,140</u>	<u>385,812</u>	<u>841,698</u>	<u>107,801</u>
Business-type activities:					
Note payable	83,940	-	18,118	65,822	18,846
Series 2006 certificates of obligation	215,000	-	30,000	185,000	30,000
Series 2012 certificates of obligation	36,000	-	36,000	-	-
Net pension liability	300,356	-	151,769	148,587	-
Other post employment benefits liability	20,598	5,139	-	25,737	-
Total business-type activities	<u>655,894</u>	<u>5,139</u>	<u>235,887</u>	<u>425,146</u>	<u>48,846</u>
Total long-term liabilities	<u><u>\$ 1,877,264</u></u>	<u><u>\$ 11,279</u></u>	<u><u>\$ 621,699</u></u>	<u><u>\$ 1,266,844</u></u>	<u><u>\$ 156,647</u></u>

The governmental activities interest expense consists of \$16,176 paid by the Debt Service Fund for retirement of certificates of obligation debt and general note debt.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 5: LONG-TERM LIABILITIES (Continued)

The business-type activities interest expense consists of \$4,766 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, 2020, the City was not in compliance with the covenants of the bond ordinance.

\$266,000 "City of Flatonia, Texas General Obligation Refunding Bonds, Series 2012" dated August 8, 2012

On July 10, 2012 the City of Flatonia authorized the issuance of \$266,000, Series 2012, General Obligation Refunding Bonds. The interest rate is fixed at 2.01% and is payable on February 15 and August 15 of each year, commencing on February 15, 2013 and continuing while any of the Refunding Bonds remain outstanding. Principal payments ranging in amount from \$31,000 to \$36,000 are due annually on February 15th, commencing on February 15, 2013 and continuing until February 15, 2020. The bonds may not be redeemed prior to their stated maturities.

The City issued the Bonds for the purpose of calling and defeasing the City of Flatonia, Texas Combination Tax and Revenue Certificates of Obligation, Series 1998. The Refunding Bonds defeased the Series 1998 Certificates stated to mature on February 15 in each of the years 2013 through 2018, in the aggregate principal amount of \$255,000.

The Refunding Bonds may be paid from the proceeds of an ad valorem tax levied upon all taxable property within the City or from other lawfully available funds. It is the City's practice to transfer and accumulate funds on a monthly basis from the Water and Wastewater funds so that there will be a sufficient amount available to pay the annual debt requirement. At this time, the City does not levy an ad valorem tax to service this debt.

As of September 30, 2020, this debt obligation was paid in full.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 5: LONG-TERM LIABILITIES (Continued)

\$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, 2020, the City was not in compliance with the covenants of the bond ordinance.

\$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.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

NOTE 5: LONG-TERM LIABILITIES (Continued)

\$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.

\$619,771 Net Pension Liability

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

\$62,773 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>
2021	\$ 30,000	\$ -	\$ 30,000
2022	30,000	-	30,000
2023	30,000	-	30,000
2024	30,000	-	30,000
2025 - 2026	65,000	-	65,000
Total	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 5: LONG-TERM LIABILITIES (Continued)

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>
2021	\$ 36,000	\$ 3,052	\$ 39,052
2022	37,000	2,063	39,063
2023	38,000	1,045	39,045
Total	<u>\$ 111,000</u>	<u>\$ 6,160</u>	<u>\$ 117,160</u>

Annual requirements to retire Government Capital Corporation – 2014 loan are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 21,599	\$ 860	\$ 22,459
Total	<u>\$ 21,599</u>	<u>\$ 860</u>	<u>\$ 22,459</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>
2021	\$ 37,929	\$ 4,711	\$ 42,640
2022	39,439	3,202	42,641
2023	41,008	1,632	42,640
Total	<u>\$ 118,376</u>	<u>\$ 9,545</u>	<u>\$ 127,921</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 5: LONG-TERM LIABILITIES (Concluded)

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 18,846	\$ 2,261	\$ 21,107
2022	19,604	1,504	21,108
2023	20,393	714	21,107
2024	6,979	57	7,036
Total	<u>\$ 65,822</u>	<u>\$ 4,536</u>	<u>\$ 70,358</u>

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 12,273	\$ 3,738	\$ 16,011
2022	12,829	3,182	16,011
2023	13,411	2,601	16,012
2024	14,018	1,993	16,011
2025 - 2026	29,972	2,052	32,024
Total	<u>\$ 82,503</u>	<u>\$ 13,566</u>	<u>\$ 96,069</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 September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 156,647	\$ 14,622	\$ 171,269
2022	138,872	9,951	148,823
2023	142,812	5,992	148,804
2024	50,997	2,050	53,047
2025 - 2026	94,972	2,052	97,024
Total	<u>\$ 584,300</u>	<u>\$ 34,667</u>	<u>\$ 618,967</u>

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

NOTE 6: PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM

A. Plan Description

The City participates as one of 888 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.tmrs.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 2019
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	13
Active employees	20
Total	47

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

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 2020. The contribution rates for the City were 15.66% and 15.94% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$167,413.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 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, 2020**

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 healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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 2020 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, 2020

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

D. Net Pension Liability (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balance at 12/31/2018	\$ 5,090,953	\$ 4,340,064	\$ 750,889
Changes for the year:			
Service cost	176,193	-	176,193
Interest	342,727	-	342,727
Change in benefit terms	-	-	-
Difference between expected and actual experience	11,773	-	11,773
Changes in assumptions	(19,178)	-	(19,178)
Contributions - employer	-	160,684	(160,684)
Contributions - employee	-	71,832	(71,832)
Net investment income	-	671,385	(671,385)
Benefit payments, including refunds of employee contributions	(203,221)	(203,221)	-
Administrative expense	-	(3,791)	3,791
Other changes	-	(114)	114
Net changes	308,294	696,775	(388,481)
Balance at 12/31/2019	\$ 5,399,247	\$ 5,036,839	\$ 362,408

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)	\$1,119,855	\$362,408	(\$259,493)

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.tmr.com.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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, 2020, the City recognized pension expense (income) of \$116,710.

At September 30, 2020, 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	\$ 1,304	\$ -
Changes in actuarial assumptions	-	14,104
Difference between projected and actual investment earnings	-	153,589
Contributions subsequent to the measurement date December 31, 2019	121,176	-
Total	\$122,480	\$167,693

\$121,176 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, 2020. 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
2020	\$ (58,521)
2021	(41,471)
2022	9,290
2023	(75,687)
2024	-
Thereafter	-
Total	\$(166,389)

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

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, 2019 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	1
Active employees	20
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, 2020 were \$2,123, which equaled the required contributions each year.

**CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

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

D. Total OPEB Liability

The City's total OPEB liability of \$62,773 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2019 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, 2019.

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, 2019 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, 2020

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

E. Changes in the Total OPEB Liability

	Increase (Decrease)
Balance at 12/31/2018	\$ 51,494
Changes for the year:	
Service cost	2,360
Interest on total OPEB liability	1,945
Change in benefit terms	-
Difference between expected and actual experience	(1,830)
Changes in assumptions or other inputs	9,317
Benefit payments	(513)
Administrative expense	-
Other changes	-
Net changes	11,279
Balance at 12/31/2019	\$ 62,773

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71 percent as of December 31, 2018 to 2.75 percent as of December 31, 2019.

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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	\$75,379	\$62,773	\$52,935

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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, 2020, the City recognized OPEB expense of \$5,280.

At September 30, 2020, 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	\$ -	\$2,916
Changes in assumptions and other inputs	7,178	-
Contributions made subsequent to measurement date	1,444	-
Total	\$8,622	\$2,916

\$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, 2020. 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
2019	\$ 975
2020	975
2021	354
2022	1,066
2023	887
Thereafter	-
Total	\$4,257

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 Texas Emergency Services Retirement System (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
September 30, 2020

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, 2020, total contributions of \$47,600 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, 2020 to the plan as a whole.

D. Net Pension Liability

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

At August 31, 2020, the City's proportionate amount and share of the net pension liability, as a nonemployer contributing entity, were \$257,364 and 1.021%. 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 \$73,367 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
September 30, 2020

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, 2020, the City recognized pension expense of \$68,110.

At August 31, 2020, 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	\$ -	\$12,257
Net difference between projected and actual investment earnings	1,396	-
Changes in assumptions	-	421
Contributions subsequent to the measurement date August 31, 2020	-	-
Total	\$1,396	\$12,678

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, 2020. 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
2020	\$(10,950)
2021	(2,249)
2022	8,849
2023	(6,932)
Total	\$(11,282)

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 9: FUND BALANCES

Governmental fund balances at September 30, 2020 are as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Non-spendable:			
Prepaid expenditures	\$ 3,695	\$ -	\$ 3,695
Restricted:			
Economic development	201,439	-	201,439
Police department donations	-	2,898	2,898
Building security	-	13,475	13,475
Judicial fee	-	1,167	1,167
Municipal court	-	16,264	16,264
Tourism	-	108,672	108,672
Unassigned	(121,305)	-	(121,305)
Total fund balances	<u>\$ 83,829</u>	<u>\$ 142,476</u>	<u>\$ 226,305</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, 2020 are as follows:

	General Fund	Other Govern- mental Funds	Electric	Water	Waste- water	Total
Transfers in	\$ 455,652	\$ 121,153	\$ -	\$ 337,996	\$ 175,384	\$ 1,090,185
Transfers out	(291,532)	15,411	(300,000)	(300,062)	(214,002)	(1,090,185)
Net	<u>\$ 164,120</u>	<u>\$ 136,564</u>	<u>\$ (300,000)</u>	<u>\$ 37,934</u>	<u>\$ (38,618)</u>	<u>\$ -</u>

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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, 2020 are as follows:

	General Fund	Other Govern- mental Funds	Electric	Water	Waste- water	Total
Interfund receivables	\$ -	\$ 276	\$ -	\$ -	\$ 84,100	\$ 84,376
Interfund payables	(84,376)	-	-	-	-	(84,376)
Net	<u>\$ (84,376)</u>	<u>\$ 276</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, 2020 was \$4,446. Future lease payments are scheduled as follows:

Year Ended September 30,	Amount
2021	\$ 4,446
2022	4,446
2023	4,446
Total future operating lease payments	<u>\$ 13,338</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, 2020, 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 May 9, 2023, the date the financial statements were available to be issued.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 14: GRANTS

On June 18, 2015, the City entered into a grant agreement with the U.S. Department of Housing and Urban Development Office of Community Planning and Development, passed through the Texas Department of Housing Community Affairs to participate in the Home Investment Partnership Program (Reservation No. 2013-0083, Contract No. 1002218 and 1002220). The City is participating in the HOME HRA Reservation System in order to assist homeowners with rehabilitation or reconstruction of their homes. The project is needed due to the number of families in the City that are living in substandard conditions. If funding is available, the project aspires to assist between one and twenty low-income and very low-income homeowners at or below eighty percent area median family income. Reconstruction of these homes will meet Housing Quality Standards and the Texas Minimum Construction Standards. Rehabilitation assistance will not exceed \$40,000 per home, and reconstruction assistance will not exceed \$85,000 per home. Total budget for the grant project was \$119,931. During the year ended September 30, 2019, The City performed preliminary work on this grant program incurring expense of \$5,137. During the year ended September 30, 2020 the remaining grant budget of \$114,794 was expended and the City received the full reimbursement amount of \$119,931. This program is considered to be complete.

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).

On December 18, 2017, the City entered into a \$44,055 Texas Community Development Block Grant (Contract No. 7217074) with the U. S. Department of Housing and Urban Development, passed through the Texas Department of Agriculture. The purpose of this grant is to fund activities of local officials to undertake a comprehensive review and analysis of the City's housing and population, economic base, infrastructure, and capital improvement needs with the goal of creating a written plan for future growth of the City. The beneficiaries of the plan will be at least 51% of the citizens who qualify as low/moderate income. As of September 30, 2020 the full budgeted amount of the grant, \$44,055, was expended and reimbursed. This project is considered to be complete.

During the fiscal year ended September 30, 2020, the City entered into an \$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 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. This program is not considered to be complete.

CITY OF FLATONIA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 14: GRANTS (Concluded)

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 Texas Commission on Environmental Quality standards. As of the September 30, 2020, the City expended \$103,935 associated with this grant. This program is not considered to be complete.

During the fiscal year ended September 30, 2020, the City received grant funding for the purchase of supplies from the National Rifle Association in the amount of \$2,027, and funding for law enforcement training, from the Texas Comptroller of Public Accounts in the amount of \$1,075, as part of the Law Enforcement Officer Standards and Education program.

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, 2020, the City had outstanding construction contracts totaling \$272,838 that will be financed from operating funds and federal grant funds.

	<u>Commitments</u>
Water & Wastewater Funds - Water and Wastewater System Improvements Grant Project No. 7219150	\$ 211,065
Water Fund - Water Treatment Plant Emergency Generator Grant Project No. DR-4272-0002	<u>61,773</u>
Total commitments	<u><u>\$ 272,838</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, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Ad valorem tax	\$ 350,064	\$ 342,959	\$ (7,105)
Sales tax	355,866	362,138	6,272
Franchise tax	782,850	462,472	(320,378)
Other taxes	3,500	3,301	(199)
Licenses and permits	32,850	42,766	9,916
Fines	31,623	20,666	(10,957)
Sanitation services	484,831	461,588	(23,243)
Interest income	11,250	4,723	(6,527)
Rental income	13,505	12,985	(520)
Restricted donations	-	2,200	2,200
Fire Department donations	-	8,786	8,786
Grant income	-	177,692	177,692
Royalty income	20,000	37,228	17,228
Resource officer reimbursement	33,009	33,009	-
Miscellaneous	26,000	68,098	42,098
Total revenues	<u>2,145,348</u>	<u>2,040,611</u>	<u>(104,737)</u>
EXPENDITURES			
Current:			
General government	423,000	565,877	(142,877)
Public safety	998,298	970,676	27,622
Streets, bridges and parks	172,098	142,443	29,655
Sanitation contractor	315,345	339,917	(24,572)
Capital outlay	254,269	205,815	48,454
Total expenditures	<u>2,163,010</u>	<u>2,224,728</u>	<u>(61,718)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,662)</u>	<u>(184,117)</u>	<u>(166,455)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	455,652	455,652
Transfers out	-	(291,532)	(291,532)
Total other financing sources (uses)	<u>-</u>	<u>164,120</u>	<u>164,120</u>
Net change in fund balance	<u>\$ (17,662)</u>	<u>\$ (19,997)</u>	<u>\$ (2,335)</u>

CITY OF FLATONIA, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2020

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 Six Measurement Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total pension liability						
Service cost	\$ 131,140	\$ 130,184	\$ 136,750	\$ 157,716	\$ 162,642	\$ 176,193
Interest (on the total pension liability)	272,888	291,787	294,118	307,731	320,629	342,727
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	2,703	(125,220)	(92,517)	(81,370)	34,847	11,773
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)
Net change in total pension liability	333,314	133,685	243,133	184,966	326,317	308,294
Total pension liability - beginning	3,869,538	4,202,852	4,336,537	4,579,670	4,764,636	5,090,953
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>

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

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

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

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

**CITY OF FLATONIA, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
Last Six 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	25 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, 2020**

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

**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, 2020**

NOTE 1: CHANGE OF ASSUMPTIONS

Changes of assumptions and other inputs reflect the effect of change in the discount rate from 3.71 percent as of December 31, 2018 to 3.71 percent as of December 31, 2019.

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 Seven Measurement Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
City's proportion of the net pension liability	0.640%	0.762%	0.731%	0.810%	0.786%	1.064%	1.021%
City's proportionate share of the net pension liability	\$ 116,362	\$ 203,436	\$ 212,991	\$ 194,403	\$ 170,144	\$ 301,488	\$ 254,364
State's proportionate share of the net pension liability	<u>39,321</u>	<u>70,517</u>	<u>73,633</u>	<u>63,663</u>	<u>47,222</u>	<u>89,430</u>	<u>73,367</u>
Total proportionate share of the net pension liability	<u>\$ 155,683</u>	<u>\$ 273,953</u>	<u>\$ 286,624</u>	<u>\$ 258,066</u>	<u>\$ 217,366</u>	<u>\$ 390,918</u>	<u>\$ 327,731</u>
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%

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 Seven Measurement Years

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

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, 2020

	Special Revenue						Total Nonmajor Governmental Funds
	Debt Service	Hotel/ Motel	Police Donations	Municipal Court	Judicial Fee	Building Security	
ASSETS							
Restricted cash and investments	\$ -	\$ 84,260	\$ 2,898	\$ 16,264	\$ 1,167	\$ 13,475	\$ 118,064
Occupancy taxes receivable	-	24,136	-	-	-	-	24,136
Due from other funds	-	276	-	-	-	-	276
Total assets	<u>\$ -</u>	<u>\$ 108,672</u>	<u>\$ 2,898</u>	<u>\$ 16,264</u>	<u>\$ 1,167</u>	<u>\$ 13,475</u>	<u>\$ 142,476</u>
LIABILITIES							
Accounts payable	\$ -	-	\$ -	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted	-	108,672	2,898	16,264	1,167	13,475	142,476
Total fund balances	<u>-</u>	<u>108,672</u>	<u>2,898</u>	<u>16,264</u>	<u>1,167</u>	<u>13,475</u>	<u>142,476</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 108,672</u>	<u>\$ 2,898</u>	<u>\$ 16,264</u>	<u>\$ 1,167</u>	<u>\$ 13,475</u>	<u>\$ 142,476</u>

CITY OF FLATONIA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	Debt Service	Special Revenue					Building Security	Total Nonmajor Governmental Funds
		Hotel/ Motel	Police Donations	Municipal Court	Judicial Fee			
REVENUES								
Occupancy tax	\$ -	\$ 69,985	\$ -	\$ -	\$ -	\$ -	\$ 69,985	
Fines	-	-	-	302	14	227	543	
Total revenues	-	69,985	-	302	14	227	70,528	
EXPENDITURES								
Tourism	-	92,955	-	-	-	-	92,955	
Police department donations	-	-	785	-	-	-	785	
Principal	104,977	-	-	-	-	-	104,977	
Interest	16,176	-	-	-	-	-	16,176	
Total expenditures	121,153	92,955	785	-	-	-	214,893	
Excess (deficiency) of revenues over (under) expenditures	(121,153)	(22,970)	(785)	302	14	227	(144,365)	
OTHER FINANCING SOURCES (USES)								
Transfers in	121,153	-	-	-	-	-	121,153	
Transfers out	-	15,411	-	-	-	-	15,411	
Total other financing sources (uses)	121,153	15,411	-	-	-	-	136,564	
Net change in fund balances	-	(7,559)	(785)	302	14	227	(7,801)	
Fund balances - beginning	-	116,231	3,683	15,962	1,153	13,248	150,277	
Fund balances - ending	\$ -	\$ 108,672	\$ 2,898	\$ 16,264	\$ 1,167	\$ 13,475	\$ 142,476	

**CITY OF FLATONIA, TEXAS
COMBINING BALANCE SHEET
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
September 30, 2020**

	<u>General Fund</u>	<u>Economic Development Corporation</u>	<u>Interfund Eliminating Adjustments</u>	<u>Total Combined General Fund</u>
ASSETS				
Cash and investments	\$ 4,180	\$ -	\$ -	\$ 4,180
Restricted cash and investments	(147,420)	182,452	-	35,032
Receivables:				
Sales taxes	20,204	10,102	-	30,306
Mixed beverage taxes	847	-	-	847
Sanitation services	58,341	-	-	58,341
Franchise taxes	2,436	-	-	2,436
Ad valorem taxes	19,277	-	-	19,277
Other	54,430	-	-	54,430
Due from other government	2,485	-	-	2,485
Interfund receivables	-	8,885	(8,885)	-
Prepaid expenditures	3,695	-	-	3,695
Total assets	<u>\$ 18,475</u>	<u>\$ 201,439</u>	<u>\$ (8,885)</u>	<u>\$ 211,029</u>
LIABILITIES				
Accounts payable	\$ 8,547	\$ -	\$ -	\$ 8,547
Other accrued expenses	15,000	-	-	15,000
Interfund payables	93,261	-	(8,885)	84,376
Total liabilities	<u>116,808</u>	<u>-</u>	<u>(8,885)</u>	<u>107,923</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable taxes	19,277	-	-	19,277
Total deferred inflows of resources	<u>19,277</u>	<u>-</u>	<u>-</u>	<u>19,277</u>
FUND BALANCES				
Nonspendable	3,695	-	-	3,695
Restricted	-	201,439	-	201,439
Unassigned	(121,305)	-	-	(121,305)
Total fund balances	<u>(117,610)</u>	<u>201,439</u>	<u>-</u>	<u>83,829</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,475</u>	<u>\$ 201,439</u>	<u>\$ (8,885)</u>	<u>\$ 211,029</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, 2020

	<u>General Fund</u>	<u>Economic Development Corporation</u>	<u>Total Combined General Fund</u>
REVENUES			
Ad valorem tax	\$ 342,959	\$ -	\$ 342,959
Sales tax	241,227	120,911	362,138
Franchise tax	462,472	-	462,472
Mixed beverage tax	3,301	-	3,301
Licenses, fees, and permits	42,766	-	42,766
Fines	20,666	-	20,666
Sanitation services	461,588	-	461,588
Interest income	4,723	-	4,723
Rental income	12,985	-	12,985
Restricted donations	2,200	-	2,200
Fire department donations	8,786	-	8,786
Grant income	177,692	-	177,692
Royalty income	37,228	-	37,228
Resource officer reimbursement	33,009	-	33,009
Miscellaneous	68,098	-	68,098
Total revenues	<u>1,919,700</u>	<u>120,911</u>	<u>2,040,611</u>
EXPENDITURES			
Current:			
General government	530,257	35,620	565,877
Public safety	970,676	-	970,676
Streets, bridges and parks	142,443	-	142,443
Sanitation contractor	339,917	-	339,917
Capital outlay	205,815	-	205,815
Total expenditures	<u>2,189,108</u>	<u>35,620</u>	<u>2,224,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(269,408)</u>	<u>85,291</u>	<u>(184,117)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	455,652	-	455,652
Transfers out	(244,347)	(47,185)	(291,532)
Total other financing sources (uses)	<u>211,305</u>	<u>(47,185)</u>	<u>164,120</u>
Net change in fund balances	(58,103)	38,106	(19,997)
Fund balances - beginning	<u>(59,507)</u>	<u>163,333</u>	<u>103,826</u>
Fund balances - ending	<u>\$ (117,610)</u>	<u>\$ 201,439</u>	<u>\$ 83,829</u>