

CITY OF YOAKUM, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds.....	23
Notes to Financial Statements	24
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund.....	49
Schedule of Changes in Net Pension Liability and Related Ratios.....	50
Schedule of Employer Contributions - Pension.....	52
Schedule of Changes in Total OPEB Liability and Related Ratios	54
Schedule of Employer Contributions - OPEB.....	56
Notes to Required Supplementary Information	58
<u>Combining and Individual Fund Statements and Schedules</u>	
<i>Governmental Funds</i>	
Combining Statements	
Nonmajor Governmental Funds.....	60
Combining Balance Sheet - Nonmajor Governmental Funds.....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	63

FINANCIAL SECTION - (Continued)

Combining and Individual Fund Statements and Schedules - (Continued)

Governmental Funds - (Continued)

Individual Statements and Schedules

General Fund	65
Balance Sheet	66
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	67

Enterprise Fund

Enterprise Fund	72
Balance Sheet	73
Schedule of Revenues, Expenses, and Change in Fund Net Position - Budget (Non-GAAP Basis) and Actual	75

Debt Service Fund

Nonmajor Debt Service Fund	78
Schedule of Debt Service Fund Revenues, Expenditures, and Changes In Fund Balance - Budget (GAAP Basis) and Actual	79

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
City of Yoakum, Texas

Mayor and Members of Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 misstatements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Yoakum Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Mayor and Members
of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, schedule of changes in net pension liability and related ratios, schedule of changes in total OPEB liability and related ratios, and the schedules of employer contributions as listed in the table of contents, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual major and nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable Mayor and Members
of the City Council

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Harrison, Waldrop & Uherek, LLP". The signature is written in a cursive, flowing style.

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

April 1, 2022

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2021, by \$29,384,282. Of this amount, \$16,291,729 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2021, the City's governmental funds reported combined ending fund balances of \$4,738,625, an increase of \$167,818 in comparison with the prior year.
- At September 30, 2021, unassigned fund balance for the General Fund was \$1,852,910 or 20.83% of total General Fund expenditures.
- The total cost of all City activities was \$17,667,348 for the fiscal year which is an increase of \$371,530 from the prior year.
- During the year, the City's revenues exceeded net expenses of all City activities by \$1,137,929. This represents a 4.03% increase in net position from the previous fiscal year as a result of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

<p>Independent Auditors' Report <i>Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.</i></p>	
<p>Management's Discussion and Analysis <i>This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.</i> Pages 4 to 11</p>	
<p>Government-wide Financial Statements <i>Provides information on governmental and business-type activities of the primary government.</i> Pages 12 to 14</p>	<p>Fund Financial Statements <i>Provides information on the financial position of specific funds of the primary governments.</i> Pages 15 to 23</p>
<p>Notes to Financial Statements <i>Provides a summary of significant accounting policies and related disclosures.</i> Pages 24 to 48</p>	

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Statement of Net Position

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position can be found on page 12.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 13 through 14.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and cultural and recreation. The business-type activities of the City include utilities. The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Yoakum Economic Development Corporation. This component unit is not included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (page 15) and the governmental fund statement of revenues, expenditures, and changes in fund balances (page 18) provide reconciliation to facilitate this comparison between governmental funds and governmental activities (pages 17 and 20, respectively).

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

The City adopts an annual appropriated budget for the General Fund and Debt Service Fund. Budgetary comparison schedules have been provided to demonstrate compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

Proprietary Funds

The City maintains only one type of proprietary funds. The enterprise fund, or the Utility Fund, is used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Utility Fund accounts for the fiscal activities relating to electric and water/wastewater utilities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements follow the governmental fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund. Required supplementary information can be found on pages 49 through 59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 60 through 79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$29,384,282 at the close of the fiscal year ended September 30, 2021.

At the end of fiscal year 2021 the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Yoakum, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020*	2021	2020*	2021	2020
Current and other assets	\$ 7,821,255	\$ 7,491,694	\$ 16,630,436	\$ 14,944,738	\$ 24,451,691	\$ 22,436,432
Capital assets (net)	6,827,045	5,725,809	13,462,865	11,921,626	20,289,910	17,647,435
Total assets	<u>14,648,300</u>	<u>13,217,503</u>	<u>30,093,301</u>	<u>26,866,364</u>	<u>44,741,601</u>	<u>40,083,867</u>
Deferred outflow of resources	616,429	569,210	282,577	259,320	899,006	828,530
Current and other liabilities	2,732,189	2,462,113	2,089,126	1,497,736	4,821,315	3,959,849
Noncurrent liabilities	3,437,657	2,980,945	7,290,706	4,971,043	10,728,363	7,951,988
Total liabilities	<u>6,169,846</u>	<u>5,443,058</u>	<u>9,379,832</u>	<u>6,468,779</u>	<u>15,549,678</u>	<u>11,911,837</u>
Deferred outflow of resources	474,720	506,584	231,927	247,623	706,647	754,207
Net position:						
Net investment in capital assets	6,028,984	5,601,359	6,555,171	7,910,179	12,584,155	13,511,538
Restricted	508,398	593,526	-	-	508,398	593,526
Unrestricted	<u>2,082,781</u>	<u>1,642,186</u>	<u>14,208,948</u>	<u>12,499,103</u>	<u>16,291,729</u>	<u>14,141,289</u>
Total net position	<u>\$ 8,620,163</u>	<u>\$ 7,837,071</u>	<u>\$ 20,764,119</u>	<u>\$ 20,409,282</u>	<u>\$ 29,384,282</u>	<u>\$ 28,246,353</u>

*2020 balances have been restated. See Note 15 of this report.

The largest portion of the City's net position (55.44% or \$16,291,729) is unrestricted and may be used to meet the City's ongoing obligations to its citizens.

The next largest portion of the City's net position (42.83% or \$12,584,155) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$508,398 is restricted for debt service and special projects.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Yoakum, Texas**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020*	2021	2020*	2021	2020
REVENUES						
Program revenues:						
Charges for services	\$ 3,964,784	\$ 3,523,717	\$ 12,241,904	\$ 11,636,764	\$ 16,206,688	\$ 15,160,481
Operating grants and contributions	338,636	412,832	-	-	338,636	412,832
Capital grants and contributions	374,101	84,163	10,001	33,124	384,102	117,287
General revenues:						
Property taxes	335,021	276,762	-	-	335,021	276,762
Other taxes	1,380,272	1,374,855	-	-	1,380,272	1,374,855
Other	129,999	213,541	30,559	224,887	160,558	438,428
Total revenues	<u>6,522,813</u>	<u>5,885,870</u>	<u>12,282,464</u>	<u>11,894,775</u>	<u>18,805,277</u>	<u>17,780,645</u>
EXPENSES						
General government	1,099,736	1,051,085	-	-	1,099,736	1,051,085
Public safety	2,964,657	3,109,593	-	-	2,964,657	3,109,593
Public works	3,450,828	3,525,029	-	-	3,450,828	3,525,029
Cultural and recreation	907,490	965,130	-	-	907,490	965,130
Utilities	-	-	9,244,637	8,644,981	9,244,637	8,644,981
Total expenses	<u>8,422,711</u>	<u>8,650,837</u>	<u>9,244,637</u>	<u>8,644,981</u>	<u>17,667,348</u>	<u>17,295,818</u>
Change in net position before transfers	(1,899,898)	(2,764,967)	3,037,827	3,249,794	1,137,929	484,827
Transfers	<u>2,682,990</u>	<u>2,712,864</u>	<u>(2,682,990)</u>	<u>(2,712,864)</u>	-	-
Change in net position	783,092	(52,103)	354,837	536,930	1,137,929	484,827
Net position - beginning, as restated	<u>7,837,071</u>	<u>7,889,174</u>	<u>20,409,282</u>	<u>19,872,352</u>	<u>28,246,353</u>	<u>27,761,526</u>
Net position - ending	<u>\$ 8,620,163</u>	<u>\$ 7,837,071</u>	<u>\$ 20,764,119</u>	<u>\$ 20,409,282</u>	<u>\$ 29,384,282</u>	<u>\$ 28,246,353</u>

*2020 balances have been restated. See Note 15 of this report.

Governmental activities

Governmental activities increased the City's net position by \$783,092. Key elements of this net increase include:

- Increase in charges for services of \$441,067, mainly due to the addition of commercial sanitation activity.
- Decrease in operating grants and contributions of \$74,196 due to declines in Coronavirus relief funds.
- Increase in capital grants and contributions of \$289,938 primarily due to the TDA-DRP grant.
- Decrease in other revenues of \$83,542 due to declines in investment income.
- Decrease in public safety expenses of \$144,936 primarily due to an increase in capitalized costs.
- Decrease in public works expenses of \$74,201 primarily due to an increase in capitalized costs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Business-type activities

Business-type activities increased the City's net position by \$354,837. Key elements of this net increase include:

- Increase in charges for services of \$605,140 due to an increase in customer usage of services.
- Decrease in other revenues of \$194,328 due to declines in investment income.
- Increase in expenses of \$599,656 primarily due to an increase in the cost of electric power because of Winter Storm Uri.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of fiscal year 2021, the City's governmental funds reported combined ending fund balances of \$4,738,625, an increase of \$167,818 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2021, unassigned fund balance of the General Fund was \$1,852,910. The unassigned fund balance represents 20.83% of the total General Fund expenditures. The City also has \$2,454,539 of fund balance that is committed for specific projects. In addition, there is \$1,756 that is classified as nonspendable; being that it is not available for new spending because it has already been committed for inventory.

The fund balance of the City's General Fund increased by \$331,924 during the current fiscal year compared to an increase in the prior year of \$84,425. Key factors in this change compared to the prior year are as follows:

- Intergovernmental revenues were \$187,544 more than the prior year primarily due to the TDA-DRP grant.
- Charges for services were \$404,300 more than the prior year due to the addition of commercial sanitation activity.
- Capital lease proceeds of \$520,252 were received in the current year.
- Non-departmental expenditures were \$448,961 more than the prior year due to increased capital outlay.
- Public safety expenditures were \$342,019 more than the prior year due to increases in police and fire personnel, as well as increases in capital outlay.
- Public works expenditures were \$134,491 more than the prior year due to increased capital outlay and solid waste service expense.
- Cultural and recreation expenditures were \$93,654 more than the prior year across all categories due to normalization of activities after COVID-19 pandemic.
- Net transfers in fiscal year 2021 were \$124,655 higher than that reported in the prior year.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget includes minimal changes with no overall impact to total expected revenues of \$5,426,600. Actual revenue realized in fiscal year 2021 was more than the budget by \$459,286. This was mainly due to an increase in intergovernmental revenues from the TDA-DRP grant and an increase in the revenues realized from charges for sanitation services.

The General Fund expenditures budget increased by \$129,500 from the original budget primarily due to an increase in the public works category, as a result of higher capital outlay expenditures in the solid waste department. Actual expenditures were \$340,320 less than the final amended budget. Public works expenditures made up the majority of this positive variance which pertained mainly to less solid waste service expenditures than expected. General government expenditures had a negative variance as a result of more capital outlay expenditures relating to the new capital lease than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$20,289,910 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, infrastructure, water works system, sewer system, and electric system. The net increase in the City's investment in capital assets for the current fiscal year was \$2,642,475 (a 19.23% increase for governmental activities and 12.93% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- Addition of various improvement projects to CIP, including \$2,102,925 for various equipment relating to the new capital lease with U.S. Bank Equipment Finance, \$388,677 relating to the TDA-DRP Grant, and \$207,114 relating to the GLO Grant.
- Acquisition of various vehicles and equipment, including \$220,736 for an EMS vehicle and \$170,027 for a solid waste loader.
- Disposition of various vehicles and equipment.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term Debt

At the end of fiscal year 2021, the City had total bonded debt outstanding of \$3,505,000. All of the debt is related to utility system improvements. In fiscal year 2021, the City entered into a capital lease with U.S. Bank Equipment Finance in the amount of \$3,492,041 for various City equipment. The City had outstanding \$359,640 in compensated absences, which was an increase of approximately 0.53% from the prior year.

Additional information on the City's debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region are consistent with national and state indices.
- The FY 2022 budget anticipates a slight increase in general government revenue from the prior year as the local economy begins to bounce back from the economic impacts of COVID-19. However, because of lingering economic effects of the pandemic, budgeted revenues are not anticipated to return to pre-COVID-19 levels in the upcoming year.
- The overall ad valorem tax rate increased from \$0.12443 to \$0.12468. The tax rate for debt service decreased from \$0.05652 to \$0.05236. The M & O rate increased from \$0.06791 to \$0.07232.
- Reflecting regional trends, unemployment remains low, increasing labor costs. Coupled with fuel cost prices increasing and the pent-up demand for materials post COVID-19, the cost of contracting services is expected to increase.

Requests for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Office of the Finance Director in the Yoakum City Hall or at P.O. Box 738, Yoakum, Texas 77995.

Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yoakum Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,517,856	\$ 14,160,626	\$ 20,678,482	\$ 252,367
Receivables (net)	779,293	2,017,734	2,797,027	-
Due from other governments	522,350	-	522,350	67,891
Due from primary government	-	-	-	1,062,077
Inventory	1,756	449,031	450,787	-
Prepaid items	-	3,045	3,045	-
Total current assets	7,821,255	16,630,436	24,451,691	1,382,335
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,396,823	1,814,275	3,211,098	847,992
Buildings, infrastructure, and equipment (net)	5,430,222	11,648,590	17,078,812	-
Total noncurrent assets	6,827,045	13,462,865	20,289,910	847,992
Total assets	14,648,300	30,093,301	44,741,601	2,230,327
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	563,570	256,517	820,087	-
Deferred outflows related to OPEB	52,859	26,060	78,919	-
Total deferred outflows of resources	616,429	282,577	899,006	-
LIABILITIES				
Current liabilities				
Accounts payable	705,944	1,002,290	1,708,234	8,060
Accrued expenditures/expenses	152,531	69,819	222,350	-
Deposits	6,063	344,576	350,639	-
Due to component unit	1,062,077	-	1,062,077	-
Due to other governments	13,716	25,204	38,920	-
Unearned revenue	735,924	-	735,924	-
Accrued compensated absences	24,319	11,645	35,964	-
Current portion of long-term obligations	31,615	635,592	667,207	-
Total current liabilities	2,732,189	2,089,126	4,821,315	8,060
Noncurrent liabilities				
Accrued compensated absences	218,868	104,808	323,676	-
Noncurrent portion of long-term obligations	488,637	5,841,197	6,329,834	-
Net pension liability	2,472,697	1,217,895	3,690,592	-
OPEB liability	257,455	126,806	384,261	-
Total noncurrent liabilities	3,437,657	7,290,706	10,728,363	-
Total liabilities	6,169,846	9,379,832	15,549,678	8,060
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	457,896	223,641	681,537	-
Deferred inflows related to OPEB	16,824	8,286	25,110	-
Total deferred inflows of resources	474,720	231,927	706,647	-
NET POSITION				
Net investment in capital assets	6,028,984	6,555,171	12,584,155	846,447
Restricted net position	508,398	-	508,398	-
Unrestricted net position	2,082,781	14,208,948	16,291,729	1,375,820
Total net position	\$ 8,620,163	\$ 20,764,119	\$ 29,384,282	\$ 2,222,267

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,099,736	\$ 178,413	\$ 266,437	\$ 275,620
Public safety	2,964,657	408,878	41,022	-
Public works	3,450,828	3,189,913	-	98,481
Cultural and recreation	907,490	187,580	31,177	-
Total governmental activities	<u>8,422,711</u>	<u>3,964,784</u>	<u>338,636</u>	<u>374,101</u>
Business-type activities				
Utilities	9,244,637	12,241,904	-	10,001
Total business-type activities	<u>9,244,637</u>	<u>12,241,904</u>	<u>-</u>	<u>10,001</u>
Total primary government	<u>\$ 17,667,348</u>	<u>\$ 16,206,688</u>	<u>\$ 338,636</u>	<u>\$ 384,102</u>
Component Unit				
Yoakum Economic Development Corporation	<u>\$ 122,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,838</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business- type Activities	Total	Yoakum Economic Development Corporation
\$ (379,266)	\$ -	\$ (379,266)	\$ -
(2,514,757)	-	(2,514,757)	-
(162,434)	-	(162,434)	-
(688,733)	-	(688,733)	-
<u>(3,745,190)</u>	<u>-</u>	<u>(3,745,190)</u>	<u>-</u>
-	3,007,268	3,007,268	-
-	3,007,268	3,007,268	-
<u>(3,745,190)</u>	<u>3,007,268</u>	<u>(737,922)</u>	<u>-</u>
-	-	-	(118,551)
181,847	-	181,847	-
153,174	-	153,174	-
1,206,842	-	1,206,842	402,281
108,389	-	108,389	-
65,041	-	65,041	-
10,542	30,559	41,101	6,587
119,457	-	119,457	100
<u>2,682,990</u>	<u>(2,682,990)</u>	<u>-</u>	<u>-</u>
<u>4,528,282</u>	<u>(2,652,431)</u>	<u>1,875,851</u>	<u>408,968</u>
783,092	354,837	1,137,929	290,417
<u>7,837,071</u>	<u>20,409,282</u>	<u>28,246,353</u>	<u>1,931,850</u>
<u>\$ 8,620,163</u>	<u>\$ 20,764,119</u>	<u>\$ 29,384,282</u>	<u>\$ 2,222,267</u>

CITY OF YOAKUM, TEXAS**BALANCE SHEET****GOVERNMENTAL FUNDS**

September 30, 2021

	<u>General</u>	<u>Grant Fund</u>	<u>ARPA Fund</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,887,291	\$ 387,604	\$ 735,928
Receivables (net)	754,003	-	-
Due from other funds	502,740	-	-
Due from other governments	205,262	317,088	-
Inventory	1,756	-	-
Total assets	<u>\$ 6,351,052</u>	<u>\$ 704,692</u>	<u>\$ 735,928</u>
LIABILITIES			
Accounts payable	\$ 544,715	\$ 146,292	\$ -
Accrued expenditures	152,531	-	-
Deposits	6,063	-	-
Due to other funds	-	502,740	-
Due to component unit	1,062,077	-	-
Due to other governments	13,716	-	-
Unearned revenue	-	-	735,924
Total liabilities	<u>1,779,102</u>	<u>649,032</u>	<u>735,924</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	262,745	134,638	-
Total deferred inflows of resources	<u>262,745</u>	<u>134,638</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Inventory	1,756	-	-
Restricted	-	-	4
Committed	2,454,539	-	-
Unassigned	1,852,910	(78,978)	-
Total fund balances	<u>4,309,205</u>	<u>(78,978)</u>	<u>4</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,351,052</u>	<u>\$ 704,692</u>	<u>\$ 735,928</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 507,033	\$ 6,517,856
25,290	779,293
-	502,740
-	522,350
-	1,756
<u>\$ 532,323</u>	<u>\$ 8,323,995</u>
\$ 14,937	\$ 705,944
-	152,531
-	6,063
-	502,740
-	1,062,077
-	13,716
-	735,924
<u>14,937</u>	<u>3,178,995</u>
<u>8,992</u>	<u>406,375</u>
<u>8,992</u>	<u>406,375</u>
-	1,756
508,394	508,398
-	2,454,539
-	1,773,932
<u>508,394</u>	<u>4,738,625</u>
<u>\$ 532,323</u>	<u>\$ 8,323,995</u>

CITY OF YOAKUM, TEXAS**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION****OF GOVERNMENTAL ACTIVITIES**

September 30, 2021

Total governmental fund balances		\$ 4,738,625
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		17,990
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		388,385
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	\$ 17,390,935	
Accumulated depreciation of governmental capital assets	<u>(10,563,890)</u>	6,827,045
Deferred outflows of resources are not reported in the governmental funds:		
Deferred outflow related to pension	563,570	
Deferred outflow related to OPEB	<u>52,859</u>	616,429
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Capital lease payable	(520,252)	
Net pension liability	(2,472,697)	
OPEB liability	(257,455)	
Compensated absences	<u>(243,187)</u>	(3,493,591)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflow related to pension	(457,896)	
Deferred inflow related to OPEB	<u>(16,824)</u>	<u>(474,720)</u>
Net position of governmental activities		<u>\$ 8,620,163</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the year ended September 30, 2021

	<u>General</u>	<u>Grant Fund</u>	<u>ARPA Fund</u>
REVENUES			
Taxes	\$ 1,514,920	\$ -	\$ -
Licenses and permits	409,166	-	-
Intergovernmental	290,437	374,101	-
Charges for services	3,347,026	-	-
Fines and forfeitures	120,438	-	-
Investment income	8,874	365	4
Miscellaneous	195,025	-	-
Total revenues	<u>5,885,886</u>	<u>374,466</u>	<u>4</u>
EXPENDITURES			
Current			
General government	1,399,762	-	-
Public safety	3,107,125	-	-
Public works	3,523,423	-	-
Cultural and recreation	865,968	-	-
Capital outlay	-	595,790	-
Total expenditures	<u>8,896,278</u>	<u>595,790</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(3,010,392)	(221,324)	4
OTHER FINANCING SOURCES (USES)			
Capital lease	520,252	-	-
Transfers in	2,843,364	34,195	-
Transfers out	(21,300)	-	-
Total other financing sources (uses)	<u>3,342,316</u>	<u>34,195</u>	<u>-</u>
Net change in fund balances	331,924	(187,129)	4
Fund balances at beginning of year, as restated	<u>3,977,281</u>	<u>108,151</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,309,205</u>	<u>\$ (78,978)</u>	<u>\$ 4</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 199,244	\$ 1,714,164
-	409,166
14,924	679,462
10,101	3,357,127
66,370	186,808
1,299	10,542
48,466	243,491
<u>340,404</u>	<u>6,600,760</u>
68,668	1,468,430
66,274	3,173,399
-	3,523,423
26,143	892,111
21,300	617,090
<u>182,385</u>	<u>9,674,453</u>
158,019	(3,073,693)
-	520,252
21,300	2,898,859
(156,300)	(177,600)
<u>(135,000)</u>	<u>3,241,511</u>
23,019	167,818
<u>485,375</u>	<u>4,570,807</u>
<u>\$ 508,394</u>	<u>\$ 4,738,625</u>

CITY OF YOAKUM, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2021*

Total net change in fund balances - governmental funds **\$ 167,818**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 1,595,893	
Depreciation expense	<u>(493,241)</u>	1,102,652

The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position. (1,416)

Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Capital lease		(520,252)
---------------	--	-----------

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.

Ad valorem taxes	(354)	
Other	<u>(76,178)</u>	(76,532)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net pension costs	135,319	
Net OPEB costs	(22,618)	
Increase in compensated absences	<u>(1,879)</u>	<u>110,822</u>

Change in net position of governmental activities **\$ 783,092**

The accompanying notes are an integral part of this statement.

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

	<u>Business-type Activities Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 14,160,626
Receivables (net)	2,017,734
Inventory	449,031
Prepaid items	3,045
Total current assets	<u>16,630,436</u>
Noncurrent assets	
Capital assets	
Land and other assets not being depreciated	1,814,275
Buildings, infrastructure, and equipment (net)	11,648,590
Total noncurrent assets	<u>13,462,865</u>
Total assets	<u>30,093,301</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	256,517
Deferred outflows related to OPEB	26,060
Total deferred outflows of resources	<u>282,577</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,002,290
Accrued expenses	69,819
Deposits	344,576
Due to other governments	25,204
Accrued compensated absences	11,645
Current portion of certificates and capital lease payable	635,592
Total current liabilities	<u>2,089,126</u>
Noncurrent liabilities	
Accrued compensated absences	104,808
Certificates payable	3,050,000
Capital lease payable	2,791,197
Net pension liability	1,217,895
OPEB liability	126,806
Total noncurrent liabilities	<u>7,290,706</u>
Total liabilities	<u>9,379,832</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	223,641
Deferred inflows related to OPEB	8,286
Total deferred inflows of resources	<u>231,927</u>
NET POSITION	
Net investment in capital assets	6,555,171
Unrestricted net position	14,208,948
Total net position	<u>\$ 20,764,119</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS**

For the year ended September 30, 2021

	Business-type Activities
	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	\$ 12,172,369
Miscellaneous	69,535
Total operating revenues	<u>12,241,904</u>
OPERATING EXPENSES	
Administration	868,855
Electric department	6,092,848
Water department	602,325
Sewer department	687,215
Warehouse department	207,911
Garage department	117,777
Building maintenance	76,072
Depreciation	586,996
Total operating expenses	<u>9,239,999</u>
Operating income (loss) before nonoperating revenues (expenses) contributions and transfers	3,001,905
NONOPERATING REVENUES (EXPENSES)	
Investment income	30,559
Interest and fiscal charges	(800)
Loss on disposition of capital assets	(3,838)
Net nonoperating revenues (expenses)	<u>25,921</u>
Income before contributions and transfers	3,027,826
Contributions and transfers	
Capital grants and contributions	48,270
Transfers in	149,300
Transfers out	(2,870,559)
Total contributions and transfers	<u>(2,672,989)</u>
Change in net position	354,837
Total net position at beginning of year, as restated	<u>20,409,282</u>
Total net position at end of year	<u>\$ 20,764,119</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2021

	Business-type Activities
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 12,137,126
Cash payments to suppliers for goods and services	(6,283,623)
Cash payments to employees for services	<u>(2,024,527)</u>
Net cash provided by operating activities	<u>3,828,976</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received (paid) on customer meter deposits	8,575
Transfers from (to) other funds	<u>(2,721,259)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,712,684)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,093,804)
Proceeds from issuance of debt	2,971,789
Capital grants and contributions	10,001
Principal paid on bond maturities	(455,000)
Interest and finance charges paid on bonds	<u>(800)</u>
Net cash provided (used) by capital and related financing activities	<u>432,186</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>30,559</u>
Net cash provided (used) by investing activities	<u>30,559</u>
Net increase (decrease) in cash and cash equivalents	1,579,037
Cash and cash equivalents at beginning of year	<u>12,581,589</u>
Cash and cash equivalents at end of year	<u>\$ 14,160,626</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 3,001,905
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	586,996
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(105,102)
(Increase) decrease in inventory	(1,559)
(Increase) decrease in deferred outflows	(23,257)
Increase (decrease) in accounts payable	384,944
Increase (decrease) in accrued expenses	16,953
Increase (decrease) in due to other governments	324
Increase (decrease) in net pension liability	(34,391)
Increase (decrease) in OPEB liability	17,833
Increase (decrease) in accrued compensated absences	26
Increase (decrease) in deferred inflows	<u>(15,696)</u>
Net cash provided by operating activities	<u>\$ 3,828,976</u>
Noncash capital and related financing activities	
Assets acquired from contributions	<u>\$ 38,269</u>

The accompanying notes are an integral part of this statement.

INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	25
2	Stewardship, Compliance, and Accountability	33
3	Deposits and Investments	33
4	Receivables	34
5	Capital Assets	35
6	Defined Benefit Pension Plan	36
7	Supplemental Death Benefit Plan	41
8	Risk Management	44
9	Long-term Debt	44
10	Interfund Receivables, Payables, and Transfers	46
11	Commitments and Contingencies	47
12	Related Party Transactions	47
13	Fund Balances and Net Position	47
14	Sales Tax Reimbursement Agreement	48
15	Restatement of Previously Issued Financial Statements	48

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yoakum, Texas (the "City"), a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, adopted its first charter in 1915. The City operates under a council-manager form of government and, as authorized by its charter, provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, parks and recreation, public improvements, inspections, and general administrative services.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. The component unit discussed in this note is included in the City's financial statements because of the significance of its financial relationship with the City.

B. Component Unit

The component unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit column is made of the following:

The Yoakum Economic Development Corporation ("YEDC") - was created for the purpose of benefiting and accomplishing public purposes of the City by promoting, encouraging, and enhancing the creation of jobs in the City. This is to be achieved through assistance in the retention of existing businesses and industries and the attraction of new businesses and industries and aid in their development and growth. YEDC was incorporated on June 24, 1999, under the Texas Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Ann.CIV.ST. Section 4B, as amended, and qualifies as a tax-exempt organization under Code Section 501(c)(4) of the Internal Revenue Code. All powers of YEDC are vested in the Board of Directors consisting of seven persons appointed by the City Council. This entity operates as a governmental fund type.

The component unit is discretely presented in the financial statements. Additional financial information for YEDC may be obtained from Yoakum City Hall, P. O. Box 738, Yoakum, Texas 77995.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Government-wide and Fund Financial Statements - (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Two of the City's Special Revenue Funds are reported as major funds at September 30, 2021. The Grant Fund accounts for funds expensed for and received from various government funded grants, particularly those that will extend across multiple fiscal years.

The ARPA Fund accounts for funds received through the ARPA grant in order to detail expenditures to eligible projects and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Utility Fund, an enterprise fund, accounts for the activities of the City related to its sewage treatment plant and water and electric distribution systems.

Additionally, the City reports the following fund:

The Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest. The Debt Service Fund makes annual transfers to the Utility Fund to provide for payments on the outstanding Combination Tax and Subordinate Lien Revenue Certificates of Obligations.

The proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Budgets and Budgetary Accounting

Procedures in establishing budgetary data reflected in the financial statements are as follows:

1. At least 30 days prior to the beginning of the fiscal year, the City Manager submits a proposed operating budget to the City Council for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. On or before the last day of the fiscal year currently ending, the budget is legally adopted by the City Council.
3. Any revisions that alter the total expenditures of any fund must be approved by the City Council. Although costs are monitored on a departmental basis, the level of control (level at which expenditures may not exceed budget) is the fund.
4. Formal budgetary integration is employed as a management control device by expenditure category during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Formal budgetary integration is not employed for the Special Revenue Funds because effective budgetary control is provided by the small number of projects in these funds.
5. The budgets for the General Fund and Debt Service Fund are adopted on a basis specified by the charter of the City. This basis is consistent with the modified accrual basis of accounting. The budgetary comparison presented in this report is on the budgetary basis, which is in conformance with generally accepted accounting principles (GAAP).

A summary budget is adopted for the Utility Fund on a non-GAAP budgetary basis. Actual revenues and expenses compared to budget and a reconciliation to GAAP is presented.

6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2021.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Deposits and Investments

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

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; 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; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the Council's investment policies.

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2021, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

H. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

I. Inventories

Inventories of materials and supplies held by the Enterprise Fund are valued at the lower of cost (first-in, first-out) or market. Estimated cost is used when actual cost figures are not available. Inventories maintained in the General Fund consist primarily of merchandise for sale at the City's golf course. Inventories are valued at the lower of cost (first-in, first-out) or market.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Capital Assets - (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest expense (interest earned minus expense) incurred during the construction phase of capital assets of business-type activities is capitalized as part of the value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Water works system	20-40
Sewer system	20-40
Electric system	20-40
Infrastructure	20
Machinery and equipment	5-15

K. Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of the number of days an employee may earn during a two-year period. Sick leave benefits are earned by all full-time employees at a rate of twelve days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days up to the maximum accrued time. Retired employees are also reimbursed for 25% of accrued sick leave in excess of 60 days up to a maximum of 30 days accrued time. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

L. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and deferred losses on refunding as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

N. Pensions and OPEB

For purposes of measuring the net pension liability, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension and OPEB expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. 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 value. Information regarding the City's pension and OPEB liability is obtained from TMRS through reports prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68 and No. 75.

O. Fund Equity

Fund balances of Governmental Funds classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Council through a resolution. Once the resolution is passed, the commitment remains in place until another resolution is passed to remove or revise the commitment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Fund Equity - (Continued)

Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The Council has by resolution authorized the City Manager or his/her designee to assign fund balance. Unlike commitments, assignments generally only exist temporarily and a formal action by the Council does not have to occur in order to remove the assignment.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

P. Minimum Fund Balance Policy

The Council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund. The target level is set at three months of the General Fund's total operating expenditures of the most recently audited fiscal year. If it is determined that the City is below this minimum established fund balance level, the Council will be informed of this condition and take necessary budgetary steps to bring the fund balance level into compliance with this policy through budgetary actions.

Q. Stabilization Arrangement

On September 11, 2013, the Council adopted a resolution to establish and maintain a stabilization reserve in the General Fund. The reserve is to be maintained to provide for emergencies, contingencies, revenue shortfalls, or budgetary imbalances that may occur from time to time. The reserve amount should not be less than 20 percent or no more than 30 percent of the General Fund's total operating expenditures of the most recently audited fiscal year. The stabilization reserve is reported as committed fund balance in the General Fund at fiscal year end.

R. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

S. Upcoming GASB Implementations

The City plans to implement GASB Statement No. 87 (GASB 87), Leases, in fiscal year ended September 30, 2022. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

At September 30, 2021, the Grant Fund, a major special revenue fund, reported a deficit fund balance of \$78,978. Steps will be taken to eliminate this deficit in the upcoming fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. However, the City may purchase investments with a longer maturity when it is determined that it can be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2021, and for the year then ended, the City was not exposed to credit risk.

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

Deposits held in the YEDC's name are not covered by the City's pledged collateral agreement. At September 30, 2021, the balance in the YEDC money market account was \$251,823. Of this amount, \$250,000 was insured by the FDIC and the remaining \$1,823 was uninsured.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2021, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2021, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:				
Accounts	\$ 470,469	\$ 1,962,335	\$ -	\$ 2,432,804
Ad valorem taxes	9,997	-	9,991	19,988
Ambulance	234,009	-	-	234,009
Fines	19,739	-	-	19,739
Franchise taxes	20,789	-	-	20,789
Other	-	55,399	16,298	71,697
Total gross receivables	755,003	2,017,734	26,289	2,799,026
Less: Allowances	1,000	-	999	1,999
Total net receivables	<u>\$ 754,003</u>	<u>\$ 2,017,734</u>	<u>\$ 25,290</u>	<u>\$ 2,797,027</u>

The City's governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 8,997	\$ -	\$ 8,997
Ambulance	234,009	-	234,009
Fines	19,739	-	19,739
Grant Fund			
Grants	134,638	-	134,638
ARPA Fund			
Grants	-	735,924	735,924
Debt Service Fund			
Ad valorem taxes	8,992	-	8,992
Total	<u>\$ 406,375</u>	<u>\$ 735,924</u>	<u>\$ 1,142,299</u>

The City's property taxes are levied annually on October 1st on the basis of the Dewitt County Appraisal District's (the "Appraisal District"), assessed values as of January 1st of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Dewitt County Tax Assessor-Collector and are due and payable on January 31st. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on February 1st of the subsequent calendar year.

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.12443 per \$100 of assessed valuation which were prorated between operations and debt service in the amounts of \$0.06791 and \$0.05652, respectively. The resulting adjusted total tax levy was \$328,708 on the total adjusted taxable valuation of \$264,171,020 for the 2020 tax year.

NOTE 5: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 401,700	\$ -	\$ -	\$ 401,700
Construction in progress	35,717	959,406	-	995,123
Total capital assets, not being depreciated	<u>437,417</u>	<u>959,406</u>	<u>-</u>	<u>1,396,823</u>
Capital assets, being depreciated				
Machinery and equipment	5,146,592	615,187	159,138	5,602,641
Buildings	4,004,393	21,300	-	4,025,693
Infrastructure	6,365,778	-	-	6,365,778
Total capital assets, being depreciated	<u>15,516,763</u>	<u>636,487</u>	<u>159,138</u>	<u>15,994,112</u>
Less accumulated depreciation for				
Machinery and equipment	3,329,202	313,862	157,722	3,485,342
Buildings	2,219,305	108,612	-	2,327,917
Infrastructure	4,679,864	70,767	-	4,750,631
Total accumulated depreciation	<u>10,228,371</u>	<u>493,241</u>	<u>157,722</u>	<u>10,563,890</u>
Total capital assets being depreciated, net	<u>5,288,392</u>	<u>143,246</u>	<u>1,416</u>	<u>5,430,222</u>
Governmental activities capital assets, net	<u>\$ 5,725,809</u>	<u>\$ 1,102,652</u>	<u>\$ 1,416</u>	<u>\$ 6,827,045</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,838	\$ -	\$ 3,838	\$ -
Construction in progress	51,447	1,762,828	-	1,814,275
Total capital assets, not being depreciated	<u>55,285</u>	<u>1,762,828</u>	<u>3,838</u>	<u>1,814,275</u>
Capital assets, being depreciated				
Machinery and equipment	1,519,639	56,534	26,026	1,550,147
Buildings and improvements	295,581	-	-	295,581
Water works system	5,053,574	-	-	5,053,574
Sewer system	15,583,733	-	-	15,583,733
Electric system	3,609,810	312,711	-	3,922,521
Total capital assets, being depreciated	<u>26,062,337</u>	<u>369,245</u>	<u>26,026</u>	<u>26,405,556</u>
Less accumulated depreciation for				
Machinery and equipment	1,183,649	62,725	26,026	1,220,348
Buildings and improvements	253,082	2,089	-	255,171
Water works system	3,657,621	107,511	-	3,765,132
Sewer system	6,416,224	332,407	-	6,748,631
Electric system	2,685,420	82,264	-	2,767,684
Total accumulated depreciation	<u>14,195,996</u>	<u>586,996</u>	<u>26,026</u>	<u>14,756,966</u>
Total capital assets being depreciated, net	<u>11,866,341</u>	<u>(217,751)</u>	<u>-</u>	<u>11,648,590</u>
Business-type activities capital assets, net	<u>\$ 11,921,626</u>	<u>\$ 1,545,077</u>	<u>\$ 3,838</u>	<u>\$ 13,462,865</u>

*Beginning balances have been restated. See Note 15 of this report.

NOTE 5: CAPITAL ASSETS - (Continued)

Governmental activities	
General government	\$ 108,612
Public safety	161,774
Public works	180,403
Cultural and recreation	42,452
Total depreciation expense - governmental activities	<u>\$493,241</u>
Business-type activities	
Utilities	\$586,996
Total depreciation expense - business-type activities	<u>\$586,996</u>

Discretely Presented Component Unit

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Yoakum Economic Development Corporation				
Capital assets, not being depreciated				
Land and improvements	\$ 49,886	\$ 761,578	\$ -	\$811,464
Construction in progress	-	36,528	-	36,528
Total capital assets, not being depreciated	<u>49,886</u>	<u>798,106</u>	<u>-</u>	<u>847,992</u>
Discretely presented component unit capital assets, net	<u>\$ 49,886</u>	<u>\$ 798,106</u>	<u>\$ -</u>	<u>\$847,992</u>

*Beginning balances have been restated. See Note 15 of this report.

During fiscal year 2021, land with an acquisition value of \$3,838 was transferred from business-type activities to the YEDC.

NOTE 6: DEFINED BENEFIT PENSION PLAN**Plan Description**

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the TMRS. TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual report) that can be obtained at www.tmr.com.

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

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

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 member's benefit is calculated as if the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2021 were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Vested requirement	5 years
Service retirement eligibility	Vested and age 60 or 25 years and any age
Updated service credit	100.0% - transfers; 1992 - Auto Readoption
COLA (for retirees)	70.0%; 1992 - Auto Readoption
Military service credit	Yes, adopted 5-1982
Restricted prior service credit	Yes, adopted 3-1998
Buy back last adopted	Not elected

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

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	68
Active employees	<u>88</u>
	<u>218</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee 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 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.14% and 16.10% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$753,585, and were equal to the required contributions.

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
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 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, 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.

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

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

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
Total	<u>100.00%</u>	

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 Liability.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 27,764,537	\$ 23,969,732	\$ 3,794,805
Changes for the year:			
Service cost	598,004	-	598,004
Interest	1,851,262	-	1,851,262
Difference between expected and actual experience	218,910	-	218,910
Change of assumptions	-	-	-
Contributions - Employer	-	703,996	(703,996)
Contributions - Employee	-	261,709	(261,709)
Net Investment Income	-	1,818,917	(1,818,917)
Benefit payments, including refunds of employee contributions	(1,274,866)	(1,274,866)	-
Administrative expense	-	(11,773)	11,773
Other changes	-	(460)	460
Net changes	<u>1,393,310</u>	<u>1,497,523</u>	<u>(104,213)</u>
Balance at 12/31/2020	<u>\$ 29,157,847</u>	<u>\$ 25,467,255</u>	<u>\$ 3,690,592</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

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:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	\$7,414,495	\$3,690,592	\$608,397

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.

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

For the year ended September 30, 2021 the City recognized pension expense of \$551,618.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 258,897	\$ -
Changes in actuarial assumptions	9,655	-
Difference between projected and actual investment earnings	-	681,537
Contributions subsequent to the measurement date	551,535	-
Total	\$ 820,087	\$ 681,537

\$551,535 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 for the year ending September 30, 2022. 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:	Pension Expense Amount
2021	\$ (74,847)
2022	111,443
2023	(409,386)
2024	(40,192)
2025	-
Thereafter	-
Total	\$ (412,982)

NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

TMRS administers an optional death benefit plan known as the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. A City may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 777 participating cities on December 31, 2020.

Benefits payable from SDBF become due after the death of a covered active member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the member'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 single-employer OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2020 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>88</u>
Total	<u>143</u>

Contributions

Contributions to the SDBF are made monthly based on the payroll of covered members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each City participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. 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 retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.26%	0.08%
2018	0.27%	0.05%
2019	0.28%	0.06%
2020	0.28%	0.07%
2021	0.33%	0.20%

NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.5% to 11.5 % including inflation
Discount rate	2.00%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

Changes in Total OPEB Liability

The following details the changes in the Total OPEB liability:

Balance at 12/31/19	\$ 330,222
Changes for the year:	
Service cost	17,011
Interest	9,273
Change of benefit terms	-
Difference between expected and actual experience	(15,469)
Change of assumptions	46,277
Benefit payments	(3,053)
Net changes	<u>54,039</u>
Balance at 12/31/20	<u>\$ 384,261</u>

NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

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 2.00%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1.0% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1.0% Increase in Discount Rate (3.00%)
City's Total OPEB Liability:	\$460,633	\$384,261	\$324,401

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$41,486.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,613
Changes in actuarial assumptions	72,071	7,497
Contributions subsequent to the measurement date	6,848	-
Total	\$ 78,919	\$ 25,110

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2021	\$ 15,202
2022	12,843
2023	14,040
2024	4,873
2025	-
Thereafter	-
Total	\$ 46,958

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss encompassed in the areas of general liabilities, workers' compensation claims, and employee health related expenses. The City has purchased commercial insurance to cover potential losses in those areas. The City has entered into interlocal agreements with the Texas Municipal League Intergovernmental Risk Pool coverage. Through the payment of contributions to the Texas Municipal League Intergovernmental Risk Pool, the City has transferred these risks to the pool. The City has not retained any risks other than the deductible and is covered up to the limits of coverage after the deductible. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The City has also entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool for health benefits coverage for its employees. The City pays the premiums for full-time employees. Dependent coverage is available at additional premiums paid by the employee.

NOTE 9: LONG-TERM DEBT**A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Direct borrowing					
Capital lease payable	\$ -	\$ 520,252	\$ -	\$ 520,252	\$ 31,615
Compensated absences	241,308	189,072	187,193	243,187	24,319
Net pension liability	2,542,519	-	69,822	2,472,697	-
OPEB liability	<u>221,249</u>	<u>36,206</u>	<u>-</u>	<u>257,455</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 3,005,076</u>	<u>\$ 745,530</u>	<u>\$ 257,015</u>	<u>\$ 3,493,591</u>	<u>\$ 55,934</u>
Business-type activities					
Certificates of obligation	\$ 3,960,000	\$ -	\$ 455,000	\$ 3,505,000	\$ 455,000
Direct borrowing					
Capital lease payable	-	2,971,789	-	2,971,789	180,592
Compensated absences	116,427	85,288	85,262	116,453	11,645
Net pension liability	1,252,286	-	34,391	1,217,895	-
OPEB liability	<u>108,973</u>	<u>17,833</u>	<u>-</u>	<u>126,806</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 5,437,686</u>	<u>\$ 3,074,910</u>	<u>\$ 574,653</u>	<u>\$ 7,937,943</u>	<u>\$ 647,237</u>

For governmental activities, compensated absences, net pension liability, and OPEB liability are liquidated by the General Fund.

NOTE 9: LONG-TERM DEBT - (Continued)**B. Certificates of Obligation**

Certificates payable at September 30, 2021, are comprised of the following individual issues:

\$5,000,000 Series 2006 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, due in annual installments of \$75,000 to \$345,000 through 2028; interest at 0.00%.	\$ 2,385,000
\$2,500,000 Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, due in annual installments of \$110,000 to \$115,000 through 2031; interest at 0.00%.	<u>1,120,000</u>
Total Certificates of Obligation	<u>\$ 3,505,000</u>

The City issues general obligation certificates and bonds to provide funds for the construction of improvements to various City infrastructures and for the payment of related contractual obligations for professional services.

Annual debt service requirements to maturity for certificates of obligation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 455,000	\$ -	\$ 455,000
2023	455,000	-	455,000
2024	455,000	-	455,000
2025	450,000	-	450,000
2026	450,000	-	450,000
2027-2031	<u>1,240,000</u>	<u>-</u>	<u>1,240,000</u>
	<u>\$ 3,505,000</u>	<u>\$ -</u>	<u>\$ 3,505,000</u>

C. Capital Leases

The City has entered into a lease agreement (direct borrowing) with U.S. Bank Equipment Finance to purchase various City equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. There is \$2,016,473 of cash held in escrow at September 30, 2021 to be spent in the 2022 fiscal year.

Lease purchase agreement on various equipment. The original amount of the lease was \$3,492,041. The lease is payable in annual installments and bears interest at a rate of 2.05%.	<u>\$ 3,492,041</u>
	<u>\$ 3,492,041</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Construction in progress	<u>\$ 388,966</u>	<u>\$ 1,713,959</u>
	388,966	1,713,959
Less: Accumulated depreciation	<u>-</u>	<u>-</u>
	<u>\$ 388,966</u>	<u>\$ 1,713,959</u>

NOTE 9: LONG-TERM DEBT - (Continued)

C. Capital Leases - (Continued)

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

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2022	\$ 47,168	\$ 269,436
2023	36,948	211,053
2024	36,948	211,053
2025	36,948	211,053
2026	36,948	211,053
Thereafter	<u>420,830</u>	<u>2,403,876</u>
Total minimum lease payments	615,790	3,517,524
Less: Amount representing interest	<u>95,538</u>	<u>545,735</u>
Present value of minimum lease payments	<u>\$ 520,252</u>	<u>\$ 2,971,789</u>

NOTE 10: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year, the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund.

Interfund receivable and payable balances as of September 30, 2021, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grant Fund	\$ 502,740
		<u>\$ 502,740</u>

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise fund to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental</u>	<u>Utility</u>	
General	\$ -	\$ -	\$ 21,300	\$ -	\$ 21,300
Nonmajor Governmental	7,000	-	-	149,300	156,300
Utility	<u>2,836,364</u>	<u>34,195</u>	<u>-</u>	<u>-</u>	<u>2,870,559</u>
	<u>\$ 2,843,364</u>	<u>\$ 34,195</u>	<u>\$ 21,300</u>	<u>\$ 149,300</u>	<u>\$ 3,048,159</u>

NOTE 11: COMMITMENTS AND CONTINGENCIESGrant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2021, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

NOTE 12: RELATED PARTY TRANSACTIONS

During fiscal year 2021, the City's General Fund entered into transactions with YEDC, whereby YEDC contributed \$98,700 to the City for administrative services.

As of September 30, 2021, the City held \$1,062,077 of YEDC's cash to adequately secure the deposits over the \$250,000 FDIC threshold. This amount was included in the cash and cash equivalent balance of \$4,887,291 in the General Fund, offset with a liability recorded as a due to component unit in the amount of \$1,062,077.

NOTE 13: FUND BALANCES AND NET POSITION

The following is a detail of the governmental fund balances as of September 30, 2021:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Inventory	\$ 1,756	\$ -	\$ -	\$ -	\$ 1,756
Stabilization	-	-	2,454,539	-	2,454,539
Unassigned	-	-	-	1,852,910	1,852,910
Grant					
Unassigned	-	-	-	(78,978)	(78,978)
ARPA					
General government	-	4	-	-	4
Nonmajor Governmental					
General government	-	135,260	-	-	135,260
Tourism	-	191,046	-	-	191,046
Public safety	-	143,750	-	-	143,750
Culture and recreation	-	20,236	-	-	20,236
Debt service	-	18,102	-	-	18,102
	<u>\$ 1,756</u>	<u>\$ 508,398</u>	<u>\$ 2,454,539</u>	<u>\$ 1,773,932</u>	<u>\$ 4,738,625</u>

The net position of the governmental activities reflects restricted net position of \$508,398 as shown above.

NOTE 14: SALES TAX REIMBURSEMENT AGREEMENT

In July 2017, YEDC executed a sales tax reimbursement agreement, authorized under Chapter 380 of the Local Government Code, with the Yoakum General Store LLC (YGS). The purpose of the incentive was to create jobs, rehabilitate a historic building, and invigorate the local economy. YGS is a tax collecting entity inside the city limits engaged in desirable economic development activities. The agreement shall continue for a period of five years, unless terminated sooner, or until the aggregate payments by YEDC to YGS totals \$50,000, whichever is sooner. The annual budgeted projection of sales tax for YGS is \$12,500 per year for four years. Funds are to be paid in entirety by the YEDC.

In fiscal year 2021, YEDC's Board of Directors granted a one-year extension to the original five-year sales tax rebate plan in response to the downturn in the economy in 2020 due to the COVID-19 pandemic. Accordingly, YGS's final reimbursement will take place at the end of fiscal year 2023.

Fiscal year 2018 was the first year of operation for YGS, having opened in September of 2017. Each year, beginning September 2018, YGS submitted twelve months' Comptroller sales tax receipts to YEDC for reimbursement. Audits compared several months' receipts with Comptroller confidential sales tax reporting and found negligible differences. Four reimbursement checks have been issued as of September 30, 2021, each charged to the respective fiscal year.

NOTE 15: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

For the year ended September 30, 2020, various machinery and equipment with total acquisition values of \$62,500 and total accumulated depreciation of \$11,715 were reported as business-type activities capital assets. In fiscal year 2021, these assets were identified and reclassified as governmental activities assets. The net effect of this reclassification in fiscal year 2021 was to increase beginning net position for governmental activities by \$50,785 and decrease beginning net position for business-type activities by \$50,785.

The Community Center Project Fund, previously reported as a nonmajor special revenue fund, was combined with the General Fund in fiscal year 2021. The net effect of this change in presentation in fiscal year 2021 was to decrease General Fund beginning fund balance by \$23,357.

For the year ended September 30, 2021, land previously reported as YEDC assets were identified as being previously disposed and therefore were removed from the capital asset balances. The net effect of this adjustment in fiscal year 2021 was to decrease YEDC beginning net position by \$63,653.

Required Supplementary Information

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2021

	2021			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 1,506,300	\$ 1,506,300	\$ 1,514,920	\$ 8,620
Licenses and permits	380,900	380,900	409,166	28,266
Intergovernmental	49,000	49,000	290,437	241,437
Charges for services	3,231,600	3,226,600	3,347,026	120,426
Fines and forfeitures	100,000	100,000	120,438	20,438
Investment income	60,300	60,300	8,874	(51,426)
Miscellaneous	98,500	103,500	195,025	91,525
Total revenues	<u>5,426,600</u>	<u>5,426,600</u>	<u>5,885,886</u>	<u>459,286</u>
EXPENDITURES				
Current				
General government	1,060,121	1,075,621	1,399,762	(324,141)
Public safety	3,152,538	3,180,538	3,107,125	73,413
Public works	4,000,298	4,075,298	3,523,423	551,875
Cultural and recreation	894,141	905,141	865,968	39,173
Total expenditures	<u>9,107,098</u>	<u>9,236,598</u>	<u>8,896,278</u>	<u>340,320</u>
Excess (deficiency) of revenues over expenditures	(3,680,498)	(3,809,998)	(3,010,392)	799,606
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	520,252	520,252
Transfers in	3,060,309	3,060,309	2,843,364	(216,945)
Transfers out	(71,000)	(61,000)	(21,300)	39,700
Total other financing sources (uses)	<u>2,989,309</u>	<u>2,999,309</u>	<u>3,342,316</u>	<u>343,007</u>
Net change in fund balance	(691,189)	(810,689)	331,924	1,142,613
Fund balance at beginning of year, as restated	<u>3,977,281</u>	<u>3,977,281</u>	<u>3,977,281</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,286,092</u>	<u>\$ 3,166,592</u>	<u>\$ 4,309,205</u>	<u>\$ 1,142,613</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF YOAKUM, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION

Last ten years

	Measurement Year		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 438,043	\$ 503,850	\$ -
Interest (on the total pension liability)	1,435,291	1,502,032	1,519,362
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(18,376)	233,935	438,702
Change of assumptions	-	64,845	-
Benefit payments, including refunds of employee contributions	(904,426)	(964,390)	(1,038,168)
Net Change in Total Pension Liability	950,532	1,340,272	919,896
Total Pension Liability - Beginning	20,737,342	21,687,874	23,028,146
Total Pension Liability - Ending (a)	\$ 21,687,874	\$ 23,028,146	\$ 23,948,042
Plan Fiduciary Net Position			
Contributions - Employer	\$ 564,791	\$ 591,018	\$ 589,875
Contributions - Employee	209,182	225,436	234,698
Net Investment Income	1,018,830	27,575	1,253,632
Benefit payments, including refunds of employee contributions	(904,426)	(964,390)	(1,038,168)
Administrative expense	(10,638)	(16,796)	(14,158)
Other	(875)	(830)	(762)
Net Change in Plan Fiduciary Net Position	876,864	(137,987)	1,025,117
Plan Fiduciary Net Position - Beginning	17,811,179	18,688,043	18,550,056
Plan Fiduciary Net Position - Ending (b)	\$ 18,688,043	\$ 18,550,056	\$ 19,575,173
Net Pension Liability - Ending (a) - (b)	\$ 2,999,831	\$ 4,478,090	\$ 4,372,869
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.17%	80.55%	81.74%
Covered Payroll	\$ 3,486,116	\$ 3,757,269	\$ 3,898,059
Net Pension Liability as a Percentage of Covered Payroll	86.05%	119.18%	112.18%

NOTE: Information for the prior three years was not readily available. The City will compile the respective information over the next three years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

					Measurement Year					
					2017	2018	2019	2020		
\$		572,605	\$	565,430	\$	607,014	\$	598,004		
		1,603,684		1,692,393		1,760,741		1,851,262		
		-		-		-		-		
		209,800		35,288		298,602		218,910		
		-		-		25,747		-		
		<u>(952,128)</u>		<u>(1,184,469)</u>		<u>(1,418,212)</u>		<u>(1,274,866)</u>		
		1,433,961		1,108,642		1,273,892		1,393,310		
		<u>23,948,042</u>		<u>25,382,003</u>		<u>26,490,645</u>		<u>27,764,537</u>		
\$		<u>25,382,003</u>	\$	<u>26,490,645</u>	\$	<u>27,764,537</u>	\$	<u>29,157,847</u>		
\$		631,628	\$	622,331	\$	678,630	\$	703,996		
		241,540		238,746		258,854		261,709		
		2,713,432		(664,928)		3,276,496		1,818,917		
		(952,128)		(1,184,469)		(1,418,212)		(1,274,866)		
		(14,060)		(12,849)		(18,513)		(11,773)		
		<u>(712)</u>		<u>(671)</u>		<u>(556)</u>		<u>(460)</u>		
		2,619,700		(1,001,840)		2,776,699		1,497,523		
		<u>19,575,173</u>		<u>22,194,873</u>		<u>21,193,033</u>		<u>23,969,732</u>		
\$		<u>22,194,873</u>	\$	<u>21,193,033</u>	\$	<u>23,969,732</u>	\$	<u>25,467,255</u>		
\$		3,187,130	\$	5,297,612	\$	3,794,805	\$	3,690,592		
		87.44%		80.00%		86.33%		87.34%		
\$		4,023,931	\$	3,979,100	\$	4,314,240	\$	4,361,810		
		79.20%		133.14%		87.96%		84.61%		

CITY OF YOAKUM, TEXAS*SCHEDULE OF EMPLOYER CONTRIBUTIONS**TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION**Last ten fiscal years*

	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	\$ 602,936	\$ 590,088	\$ 621,065
Contribution in relation to the actuarially determined contribution	<u>(613,017)</u>	<u>(603,810)</u>	<u>(631,450)</u>
Contribution deficiency (excess)	<u>\$ (10,081)</u>	<u>\$ (13,722)</u>	<u>\$ (10,385)</u>
Covered employee payroll	\$ 3,804,488	\$ 3,873,911	\$ 3,994,470
Contributions as a percentage of covered employee payroll	16.11%	15.59%	15.81%

NOTE: Information for the prior three fiscal years was not readily available. The City will compile the respective information over the next three fiscal years.

The accompanying notes to required supplementary information are an integral part of this schedule.

Fiscal Year			
2018	2019	2020	2021
\$ 622,616	\$ 647,329	\$ 681,564	\$ 753,585
<u>(633,262)</u>	<u>(658,772)</u>	<u>(693,469)</u>	<u>(768,395)</u>
<u>\$ (10,646)</u>	<u>\$ (11,443)</u>	<u>\$ (11,905)</u>	<u>\$ (14,810)</u>
\$ 3,977,894	\$ 4,120,678	\$ 4,251,832	\$ 4,677,544
15.92%	15.99%	16.31%	16.43%

CITY OF YOAKUM, TEXAS**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten years**

	Measurement Year		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 11,267	\$ 12,733	\$ 12,080
Interest (on the total OPEB liability)	8,874	9,006	10,082
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	(2,364)	(7,396)
Change of assumptions	19,067	(17,110)	51,050
Benefit payments	(3,219)	(1,990)	(2,588)
Net Change in Total OPEB Liability	35,989	275	63,228
Total OPEB Liability - Beginning	230,730	266,719	266,994
Total OPEB Liability - Ending	\$ 266,719	\$ 266,994	\$ 330,222
Covered Employee Payroll	\$ 4,023,931	\$ 3,979,100	\$ 4,314,240
Total OPEB Liability as a Percentage of Covered Employee Payroll	6.63%	6.71%	7.65%

NOTE: Information for the prior six years was not readily available. The City will compile the respective information over the next six years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

Measurement
Year
2020

\$ 17,011
9,273
-
(15,469)
46,277
(3,053)

54,039

330,222

\$ 384,261

\$ 4,361,810

8.81%

CITY OF YOAKUM, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT

Last ten fiscal years

	Fiscal Year		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 2,273	\$ 2,378	\$ 2,862
Contribution in relation to the actuarially determined contribution	<u>(2,273)</u>	<u>(2,378)</u>	<u>(2,862)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,977,894	\$ 4,120,678	\$ 4,251,832
Contributions as a percentage of covered employee payroll	0.0571%	0.0577%	0.0673%

NOTE: Information for the prior six years was not readily available. The City will compile the respective information over the next six years.

The accompanying notes to required supplementary information are an integral part of this schedule.

Fiscal
Year
2021

\$ 7,728

(7,728)

\$ -

\$ 4,677,544

0.1652%

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The Required Supplementary Information does not include budgetary comparison schedules for the Major Special Revenue Funds, Grant Fund and ARPA Fund. The activity for these funds is funded by the federal government, thereby no local control over appropriating funds is possible. Therefore, there is no requirement of presenting a budgetary comparison schedule.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the fiscal year ended September 30, 2021, the City complied with budgetary restrictions in the General Fund.

NOTE 3: DEFINED BENEFIT PENSION PLAN

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage 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 tables used for males and the General employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

There were no benefit changes during the year.

CITY OF YOAKUM, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

There were no changes in plan provisions during the year.

Changes in Assumptions

- Discount rate decreased to 2.00% from 2.75%.

Combining and Individual Fund Statements and Schedules

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

The Debt Service Fund is utilized to account for the proceeds of the interest and sinking ad valorem taxes levied by the City.

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

	Special Revenue Funds			
	Hotel/Motel Tax	PEG Fund	Police Projects	Fire/ Ambulance Projects
ASSETS				
Cash and cash equivalents	\$ 187,238	\$ 132,656	\$ 100,434	\$ 17,567
Receivables (net)	13,694	2,604	-	-
Total assets	<u>\$ 200,932</u>	<u>\$ 135,260</u>	<u>\$ 100,434</u>	<u>\$ 17,567</u>
LIABILITIES				
Accounts payable	\$ 9,886	\$ -	\$ 3,417	\$ 90
Total liabilities	<u>9,886</u>	<u>-</u>	<u>3,417</u>	<u>90</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted				
General government	-	135,260	-	-
Tourism	191,046	-	-	-
Public safety	-	-	97,017	17,477
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Total fund balances	<u>191,046</u>	<u>135,260</u>	<u>97,017</u>	<u>17,477</u>
Total liabilities and fund balances	<u>\$ 200,932</u>	<u>\$ 135,260</u>	<u>\$ 100,434</u>	<u>\$ 17,567</u>

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Court Special Projects</u>	<u>Library Projects</u>	<u>Total</u>		
\$ 29,256	\$ 21,780	\$ 488,931	\$ 18,102	\$ 507,033
<u>-</u>	<u>-</u>	<u>16,298</u>	<u>8,992</u>	<u>25,290</u>
<u>\$ 29,256</u>	<u>\$ 21,780</u>	<u>\$ 505,229</u>	<u>\$ 27,094</u>	<u>\$ 532,323</u>
\$ -	\$ 1,544	\$ 14,937	\$ -	\$ 14,937
<u>-</u>	<u>1,544</u>	<u>14,937</u>	<u>-</u>	<u>14,937</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,992</u>	<u>8,992</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,992</u>	<u>8,992</u>
-	-	135,260	-	135,260
-	-	191,046	-	191,046
29,256	-	143,750	-	143,750
-	20,236	20,236	-	20,236
<u>-</u>	<u>-</u>	<u>-</u>	<u>18,102</u>	<u>18,102</u>
<u>29,256</u>	<u>20,236</u>	<u>490,292</u>	<u>18,102</u>	<u>508,394</u>
<u>\$ 29,256</u>	<u>\$ 21,780</u>	<u>\$ 505,229</u>	<u>\$ 27,094</u>	<u>\$ 532,323</u>

CITY OF YOAKUM, TEXAS**NONMAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the year ended September 30, 2021

	Special Revenue Funds			
	Hotel/Motel Tax	PEG Fund	Police Projects	Fire/ Ambulance Projects
REVENUES				
Taxes	\$ 46,776	\$ -	\$ -	\$ -
Intergovernmental	-	-	14,924	-
Charges for services	-	10,101	-	-
Fines and forfeitures	-	-	54,429	-
Investment income	463	328	251	43
Miscellaneous	-	-	14,281	8,326
Total revenues	<u>47,239</u>	<u>10,429</u>	<u>83,885</u>	<u>8,369</u>
EXPENDITURES				
Current				
General government	63,721	-	-	-
Public safety	-	-	65,445	829
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>63,721</u>	<u>-</u>	<u>65,445</u>	<u>829</u>
Excess (deficiency) of revenues over expenditures	<u>(16,482)</u>	<u>10,429</u>	<u>18,440</u>	<u>7,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(16,482)	10,429	18,440	7,540
Fund balances at beginning of year	<u>207,528</u>	<u>124,831</u>	<u>78,577</u>	<u>9,937</u>
Fund balances at end of year	<u>\$ 191,046</u>	<u>\$ 135,260</u>	<u>\$ 97,017</u>	<u>\$ 17,477</u>

<u>Special Revenue Funds</u>				<u>Total</u>
<u>Court Special Projects</u>	<u>Library Projects</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 46,776	\$ 152,468	\$ 199,244
-	-	14,924	-	14,924
-	-	10,101	-	10,101
11,941	-	66,370	-	66,370
72	54	1,211	88	1,299
-	25,859	48,466	-	48,466
<u>12,013</u>	<u>25,913</u>	<u>187,848</u>	<u>152,556</u>	<u>340,404</u>
4,947	-	68,668	-	68,668
-	-	66,274	-	66,274
-	26,143	26,143	-	26,143
-	21,300	21,300	-	21,300
<u>4,947</u>	<u>47,443</u>	<u>182,385</u>	<u>-</u>	<u>182,385</u>
<u>7,066</u>	<u>(21,530)</u>	<u>5,463</u>	<u>152,556</u>	<u>158,019</u>
-	21,300	21,300	-	21,300
(7,000)	-	(7,000)	(149,300)	(156,300)
<u>(7,000)</u>	<u>21,300</u>	<u>14,300</u>	<u>(149,300)</u>	<u>(135,000)</u>
66	(230)	19,763	3,256	23,019
<u>29,190</u>	<u>20,466</u>	<u>470,529</u>	<u>14,846</u>	<u>485,375</u>
<u>\$ 29,256</u>	<u>\$ 20,236</u>	<u>\$ 490,292</u>	<u>\$ 18,102</u>	<u>\$ 508,394</u>

GENERAL FUND

The General Fund is a constitutional fund and is utilized to account for all City revenues and expenditures except those which are required to be classed in other constitutional funds and such other funds that are presented separately to facilitate proper accountability.

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2021

With comparative totals for September 30, 2020

	<u>2021</u>	<u>2020*</u>
ASSETS		
Cash and cash equivalents	\$ 4,887,291	\$ 5,716,731
Receivables (net)		
Accounts	470,469	307,000
Ad valorem taxes	8,997	8,502
Ambulance	234,009	223,558
Fines	19,739	18,507
Franchise taxes	20,789	21,039
Due from other funds	502,740	2,740
Due from other governments	205,262	487,017
Inventory	<u>1,756</u>	<u>1,507</u>
Total assets	<u>\$ 6,351,052</u>	<u>\$ 6,786,601</u>
LIABILITIES		
Accounts payable	\$ 544,715	\$ 396,296
Accrued expenditures	152,531	115,688
Deposits	6,063	6,471
Due to other funds	-	2,580
Due to component unit	1,062,077	1,779,838
Due to other governments	<u>13,716</u>	<u>35,383</u>
Total liabilities	<u>1,779,102</u>	<u>2,336,256</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	<u>262,745</u>	<u>473,064</u>
Total deferred inflows of resources	<u>262,745</u>	<u>473,064</u>
FUND BALANCES		
Nonspendable		
Inventory	1,756	1,507
Committed		
Stabilization	2,454,539	2,000,000
Unassigned	<u>1,852,910</u>	<u>1,975,774</u>
Total fund balances	<u>4,309,205</u>	<u>3,977,281</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,351,052</u>	<u>\$ 6,786,601</u>

*2020 balances have been restated. See Note 15 of this report.

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021		Variance Positive (Negative)	2020*
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 163,500	\$ 178,397	\$ 14,897	\$ 130,163
Penalty and interest	3,000	3,027	27	2,785
Franchise	132,300	108,389	(23,911)	118,861
Sales	1,200,000	1,206,842	6,842	1,195,668
Other	7,500	18,265	10,765	3,598
Total taxes	<u>1,506,300</u>	<u>1,514,920</u>	<u>8,620</u>	<u>1,451,075</u>
Licenses and permits				
Landfill/transfer station	352,500	373,539	21,039	328,693
Miscellaneous	28,400	35,627	7,227	45,056
Total licenses and permits	<u>380,900</u>	<u>409,166</u>	<u>28,266</u>	<u>373,749</u>
Intergovernmental	<u>49,000</u>	<u>290,437</u>	<u>241,437</u>	<u>102,893</u>
Charges for services				
Sanitation	2,714,000	2,816,374	102,374	2,461,282
Ambulance	230,000	211,619	(18,381)	202,743
Golf course	93,900	97,602	3,702	89,603
Swimming pool	5,000	3,897	(1,103)	1,732
RV park	45,000	82,537	37,537	70,993
Park pavilion	3,000	3,544	544	1,624
Chamber office rent	1,500	1,500	-	1,500
Other	134,200	129,953	(4,247)	113,249
Total charges for services	<u>3,226,600</u>	<u>3,347,026</u>	<u>120,426</u>	<u>2,942,726</u>
Fines and forfeitures				
Municipal courts	<u>100,000</u>	<u>120,438</u>	<u>20,438</u>	<u>99,652</u>
Investment income	<u>60,300</u>	<u>8,874</u>	<u>(51,426)</u>	<u>75,845</u>
Miscellaneous				
Donations/grants	-	75,678	75,678	16,427
Recycled materials	7,800	15,265	7,465	18,055
Sale of equipment	-	1,708	1,708	45,185
Other	95,700	102,374	6,674	58,562
Total miscellaneous	<u>103,500</u>	<u>195,025</u>	<u>91,525</u>	<u>138,229</u>
Total revenues	<u>5,426,600</u>	<u>5,885,886</u>	<u>459,286</u>	<u>5,184,169</u>

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021		Variance Positive (Negative)	2020*
	Final Budget	Actual		Actual
EXPENDITURES				
General government				
Administrative and finance				
Personnel	\$ 343,139	\$ 346,503	\$ (3,364)	\$ 331,836
Supplies	7,900	5,415	2,485	6,239
Services	55,200	50,959	4,241	46,195
Maintenance	23,500	21,860	1,640	4,614
Other	13,100	7,366	5,734	10,332
Total administrative and finance	442,839	432,103	10,736	399,216
Inspection/code enforcement				
Personnel	135,717	118,122	17,595	101,021
Supplies	11,700	8,910	2,790	11,100
Services	24,200	11,224	12,976	17,248
Maintenance	2,100	313	1,787	311
Other	5,000	2,115	2,885	1,437
Capital outlay	10,000	899	9,101	-
Total inspection/code enforcement	188,717	141,583	47,134	131,117
Economic development				
Personnel	128,565	129,822	(1,257)	89,171
Supplies	5,500	94	5,406	1,247
Services	2,000	6,017	(4,017)	5,362
Other	4,600	956	3,644	2,026
Total economic development	140,665	136,889	3,776	97,806
Non-departmental				
Insurance	55,000	51,712	3,288	53,141
Audit	27,000	22,850	4,150	23,475
Legal services	13,000	15,084	(2,084)	8,032
Community center	10,000	10,520	(520)	5,707
Sundry charges	60,400	51,681	8,719	36,666
Museum contribution	15,000	15,000	-	15,800
Other contributions	59,000	57,279	1,721	55,044
Capital outlay	63,000	465,061	(402,061)	42,302
Senior citizen center	1,000	-	1,000	59
Total non-departmental	303,400	689,187	(385,787)	240,226
Total general government	1,075,621	1,399,762	(324,141)	868,365

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021		Variance Positive (Negative)	2020*
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Public safety				
Police				
Personnel	\$ 1,509,141	\$ 1,541,907	\$ (32,766)	\$ 1,359,895
Supplies	51,640	53,632	(1,992)	48,954
Services	88,440	46,021	42,419	79,602
Maintenance	73,700	65,258	8,442	29,416
Other	15,300	11,941	3,359	8,853
Capital outlay	48,500	49,991	(1,491)	77,706
Total police	<u>1,786,721</u>	<u>1,768,750</u>	<u>17,971</u>	<u>1,604,426</u>
Municipal court				
Personnel	28,379	17,445	10,934	17,180
Supplies	2,000	626	1,374	1,281
Maintenance	3,500	2,888	612	2,750
Other	3,000	905	2,095	997
Total municipal court	<u>36,879</u>	<u>21,864</u>	<u>15,015</u>	<u>22,208</u>
Fire/ambulance				
Personnel	938,738	948,516	(9,778)	911,854
Supplies	46,500	48,705	(2,205)	42,862
Services	59,500	43,149	16,351	53,865
Maintenance	49,200	40,314	8,886	110,900
Other	26,300	15,091	11,209	18,991
Capital outlay	236,700	220,736	15,964	-
Total fire/ambulance	<u>1,356,938</u>	<u>1,316,511</u>	<u>40,427</u>	<u>1,138,472</u>
Total public safety	<u>3,180,538</u>	<u>3,107,125</u>	<u>73,413</u>	<u>2,765,106</u>

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021		Variance Positive (Negative)	2020*
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Public works				
Streets				
Personnel	\$ 459,067	\$ 452,736	\$ 6,331	\$ 417,315
Supplies	21,825	15,279	6,546	15,211
Services	1,100	1,005	95	976
Maintenance	96,800	56,718	40,082	96,903
Other	2,200	833	1,367	1,430
Capital outlay	205,000	96,757	108,243	211,519
Total streets	<u>785,992</u>	<u>623,328</u>	<u>162,664</u>	<u>743,354</u>
Solid waste				
Personnel	505,016	408,328	96,688	450,490
Supplies	47,225	39,591	7,634	34,143
Services	2,399,450	2,175,788	223,662	2,015,657
Maintenance	120,915	75,356	45,559	110,316
Other	1,700	752	948	1,878
Capital outlay	215,000	200,280	14,720	33,094
Total solid waste	<u>3,289,306</u>	<u>2,900,095</u>	<u>389,211</u>	<u>2,645,578</u>
Total public works	<u>4,075,298</u>	<u>3,523,423</u>	<u>551,875</u>	<u>3,388,932</u>
Cultural and recreation				
Parks and recreation				
Personnel	446,162	423,343	22,819	417,913
Supplies	61,175	55,872	5,303	44,174
Services	70,000	86,884	(16,884)	85,032
Maintenance	38,000	36,592	1,408	32,419
Other	49,600	29,462	20,138	4,783
Capital outlay	46,800	40,984	5,816	24,958
Total parks and recreation	<u>711,737</u>	<u>673,137</u>	<u>38,600</u>	<u>609,279</u>
Library				
Personnel	141,504	141,414	90	122,189
Supplies	18,000	19,447	(1,447)	14,445
Services	16,200	15,172	1,028	14,082
Maintenance	12,200	11,267	933	7,870
Other	5,500	5,531	(31)	4,449
Total library	<u>193,404</u>	<u>192,831</u>	<u>573</u>	<u>163,035</u>
Total cultural and recreation	<u>905,141</u>	<u>865,968</u>	<u>39,173</u>	<u>772,314</u>
Total expenditures	<u>9,236,598</u>	<u>8,896,278</u>	<u>340,320</u>	<u>7,794,717</u>

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021			2020*
	Final Budget	Actual	Variance Positive (Negative)	Actual
Excess (deficiency) of revenues over expenditures	\$ (3,809,998)	\$ (3,010,392)	\$ 799,606	\$ (2,610,548)
OTHER FINANCING SOURCES (USES)				
Capital lease	-	520,252	520,252	-
Transfers in	3,060,309	2,843,364	(216,945)	2,772,409
Transfers out	(61,000)	(21,300)	39,700	(75,000)
Total other financing sources (uses)	<u>2,999,309</u>	<u>3,342,316</u>	<u>343,007</u>	<u>2,697,409</u>
Net change in fund balance	<u>\$ (810,689)</u>	331,924	<u>\$ 1,142,613</u>	86,861
Fund balance at beginning of year, as restated		<u>3,977,281</u>		<u>3,890,420</u>
Fund balance at end of year		<u>\$ 4,309,205</u>		<u>\$ 3,977,281</u>

*2020 balances have been restated. See Note 15 of this report.

(concluded)

ENTERPRISE FUND

Enterprise Funds account for the acquisition, operations, and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. Debt service amounts are also included.

Utility Fund - Records transactions relative to the provision of water, wastewater, and electric services to the residents of the City.

CITY OF YOAKUM, TEXAS**MAJOR ENTERPRISE FUND - UTILITY FUND****BALANCE SHEET**

September 30, 2021

With comparative totals for September 30, 2020

	<u>2021</u>	<u>2020*</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,160,626	\$ 12,581,589
Receivables (net)		
Accounts	1,962,335	1,912,632
Other	55,399	-
Inventory	449,031	447,472
Prepaid items	3,045	3,045
Total current assets	<u>16,630,436</u>	<u>14,944,738</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,550,148	1,519,639
Buildings and improvements	295,580	295,580
Water works system	5,053,574	5,053,574
Sewer system	15,583,734	15,583,734
Electric system	3,922,519	3,609,810
Total depreciable capital assets	26,405,555	26,062,337
Less: Accumulated depreciation	<u>14,756,965</u>	<u>14,195,996</u>
Subtotal	11,648,590	11,866,341
Land	-	3,838
Construction in progress	<u>1,814,275</u>	<u>51,447</u>
Net capital assets	<u>13,462,865</u>	<u>11,921,626</u>
Total noncurrent assets	<u>13,462,865</u>	<u>11,921,626</u>
Total assets	<u>30,093,301</u>	<u>26,866,364</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	256,517	242,253
Deferred outflows related to OPEB	<u>26,060</u>	<u>17,067</u>
Total deferred outflow of resources	<u>282,577</u>	<u>259,320</u>

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2021
With comparative totals for September 30, 2020

	<u>2021</u>	<u>2020*</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,002,290	\$ 617,346
Accrued expenses	69,819	52,866
Deposits	344,576	336,001
Due to other governments	25,204	24,880
Accrued compensated absences	11,645	11,643
Current portion of certificates and capital lease payable	<u>635,592</u>	<u>455,000</u>
Total current liabilities	<u>2,089,126</u>	<u>1,497,736</u>
Noncurrent liabilities		
Accrued compensated absences	104,808	104,784
Certificates payable	3,050,000	3,505,000
Capital lease payable	2,791,197	-
Net pension liability	1,217,895	1,252,286
OPEB liability	<u>126,806</u>	<u>108,973</u>
Total noncurrent liabilities	<u>7,290,706</u>	<u>4,971,043</u>
Total liabilities	<u>9,379,832</u>	<u>6,468,779</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	223,641	241,637
Deferred inflows related to OPEB	<u>8,286</u>	<u>5,986</u>
Total deferred inflows of resources	<u>231,927</u>	<u>247,623</u>
 NET POSITION		
Net investment in capital assets	6,555,171	7,910,179
Unrestricted net position	<u>14,208,948</u>	<u>12,499,103</u>
Total net position	<u>\$ 20,764,119</u>	<u>\$ 20,409,282</u>

*2020 balances have been restated. See Note 15 of this report.

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021			2020*
	Final Budget	Actual	Variance Positive (Negative)	Actual
OPERATING REVENUES				
Electric service	\$ 8,975,000	\$ 9,132,102	\$ 157,102	\$ 8,712,779
Water service	1,467,242	1,517,542	50,300	1,456,190
Sewer service	1,242,000	1,366,544	124,544	1,249,289
Service taps	17,000	13,017	(3,983)	9,627
Penalties	115,000	111,468	(3,532)	93,576
Service charges	31,000	31,696	696	36,813
Miscellaneous	77,900	69,535	(8,365)	78,490
Total operating revenues	11,925,142	12,241,904	316,762	11,636,764
OPERATING EXPENSES				
General and administration				
Personnel	704,668	692,616	12,052	674,553
Supplies	17,300	14,305	2,995	11,449
Services	154,000	104,247	49,753	116,533
Maintenance	8,100	2,879	5,221	5,041
Other	40,800	21,582	19,218	16,552
Bad debts	40,000	25,708	14,292	29,398
Total general and administration	964,868	861,337	103,531	853,526
Electric				
Personnel	349,426	367,323	(17,897)	333,491
Supplies	14,375	14,170	205	12,189
Cost of power	5,770,000	5,575,954	194,046	5,070,721
Services	92,850	32,316	60,534	26,974
Maintenance	75,525	94,261	(18,736)	61,534
Other	8,850	4,811	4,039	7,295
Capital outlay	552,600	339,784	212,816	119,155
Total electric	6,863,626	6,428,619	435,007	5,631,359
Water				
Personnel	301,811	260,589	41,222	225,132
Supplies	76,375	91,478	(15,103)	81,789
Services	96,900	90,242	6,658	80,232
Maintenance	239,300	127,415	111,885	47,319
Other	8,050	2,432	5,618	3,434
Capital outlay	119,500	101,714	17,786	105,802
Total water	841,936	673,870	168,066	543,708

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021		Variance Positive (Negative)	2020*
	Final Budget	Actual		Actual
OPERATING EXPENSES - (Continued)				
Sewer				
Personnel	\$ 370,437	\$ 334,821	\$ 35,616	\$ 317,879
Supplies	96,150	67,277	28,873	71,023
Services	287,558	244,391	43,167	227,282
Maintenance	103,725	39,099	64,626	37,428
Other	2,000	1,627	373	1,389
Total sewer	<u>859,870</u>	<u>687,215</u>	<u>172,655</u>	<u>655,001</u>
Warehouse				
Personnel	201,147	193,657	7,490	207,698
Supplies	6,200	4,437	1,763	3,256
Services	6,800	6,265	535	6,122
Maintenance	6,200	3,133	3,067	2,750
Other	1,000	419	581	327
Capital outlay	-	-	-	28,509
Total warehouse	<u>221,347</u>	<u>207,911</u>	<u>13,436</u>	<u>248,662</u>
Garage				
Personnel	134,210	104,360	29,850	138,423
Supplies	6,225	5,588	637	6,291
Services	1,600	1,637	(37)	1,446
Maintenance	9,700	6,192	3,508	10,040
Other	500	-	500	-
Total garage	<u>152,235</u>	<u>117,777</u>	<u>34,458</u>	<u>156,200</u>
Building maintenance				
Personnel	51,670	32,629	19,041	49,561
Supplies	9,700	4,952	4,748	2,523
Services	16,000	14,592	1,408	14,194
Maintenance	25,300	19,182	6,118	20,811
Capital outlay	70,000	10,057	59,943	52,199
Total building maintenance	<u>172,670</u>	<u>81,412</u>	<u>91,258</u>	<u>139,288</u>
Non-departmental				
Capital outlay	-	12,975	(12,975)	-
Total non-departmental	<u>-</u>	<u>12,975</u>	<u>(12,975)</u>	<u>-</u>
Total operating expenses	<u>10,076,552</u>	<u>9,071,116</u>	<u>1,005,436</u>	<u>8,227,744</u>

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2021

With comparative totals for the year ended September 30, 2020

	2021		Variance Positive (Negative)	2020*
	Final Budget	Actual		Actual
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	\$ 1,848,590	\$ 3,170,788	\$ 1,322,198	\$ 3,409,020
NONOPERATING REVENUES (EXPENSES)				
Investment income	120,000	30,559	(89,441)	224,887
Gain (loss) on disposition of capital assets	-	(3,838)	(3,838)	(758)
Bond principal, interest, and fiscal charges	<u>(460,400)</u>	<u>(455,800)</u>	<u>4,600</u>	<u>(460,800)</u>
Total nonoperating revenues (expenses)	<u>(340,400)</u>	<u>(429,079)</u>	<u>(88,679)</u>	<u>(236,671)</u>
Income (loss) before contributions and transfers	1,508,190	2,741,709	1,233,519	3,172,349
Contributions and transfers				
Capital grants and contributions	58,000	48,270	(9,730)	84,571
Transfers in	149,300	149,300	-	149,300
Transfers out	<u>(3,148,709)</u>	<u>(2,870,559)</u>	<u>278,150</u>	<u>(2,875,760)</u>
Net contributions and transfers	<u>(2,941,409)</u>	<u>(2,672,989)</u>	<u>268,420</u>	<u>(2,641,889)</u>
Change in net position - (NON-GAAP BUDGETARY BASIS)	<u>\$ (1,433,219)</u>	68,720	<u>\$ 1,501,939</u>	530,460
ADJUSTMENTS				
To adjust for principal payments on long-term debt		455,000		460,000
To adjust for capital expenses		418,113		128,694
To adjust for depreciation expense		<u>(586,996)</u>		<u>(582,224)</u>
Change in net position - (GAAP BASIS)		354,837		536,930
Total net position at beginning of year, as restated		<u>20,409,282</u>		<u>19,872,352</u>
Total net position at end of year		<u>\$ 20,764,119</u>		<u>\$ 20,409,282</u>

*2020 balances have been restated. See Note 15 of this report.

(concluded)

NONMAJOR DEBT SERVICE FUND

The Debt Service Fund is utilized to account for the proceeds of the interest and sinking ad valorem taxes levied by the City.

CITY OF YOAKUM, TEXAS*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**BUDGET (GAAP BASIS) AND ACTUAL**NONMAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND**For the year ended September 30, 2021**With comparative totals for the year ended September 30, 2020*

	2021			2020
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 149,300	\$ 149,705	\$ 405	\$ 138,641
Penalty and interest	-	2,763	2,763	3,132
Investment income	-	88	88	187
Total revenues	<u>149,300</u>	<u>152,556</u>	<u>3,256</u>	<u>141,960</u>
EXPENDITURES				
Debt service	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>149,300</u>	<u>152,556</u>	<u>3,256</u>	<u>141,960</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(149,300)</u>	<u>(149,300)</u>	-	<u>(149,300)</u>
Total other financing sources (uses)	<u>(149,300)</u>	<u>(149,300)</u>	-	<u>(149,300)</u>
Net change in fund balance	<u>\$ -</u>	3,256	<u>\$ 3,256</u>	(7,340)
Fund balance at beginning of year		<u>14,846</u>		<u>22,186</u>
Fund balance at end of year		<u>\$ 18,102</u>		<u>\$ 14,846</u>

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

The Honorable Mayor and Members
of the City Council
City of Yoakum, Texas

Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yoakum, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 1, 2022.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members
of the City Council

Compliance and Other Matters

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

Purpose of this Report

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



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

April 1, 2022